



HEALTH ANNUAL STATEMENT

FOR THE YEAR ENDING DECEMBER 31, 2002  
of the Condition and Affairs of the

United HealthCare of Arkansas, Inc.

NAIC Group Code..... 0707, 0707  
(Current Period) (Prior Period)

NAIC Company Code..... 95446

Employer's ID Number..... 63-1036819

Organized under the Laws of Arkansas

State of Domicile or Port of Entry Arkansas

Country of Domicile US

Licensed as Business Type Health Maintenance Organization

Is HMO Federally Qualified? Yes [ ] No [ X ]

Date Incorporated or Organized..... September 27, 1990

Date Commenced Business..... April 1, 1992

Statutory Home Office

415 North McKinley Street, Suite 820 ..... Little Rock ..... AR ..... 72205  
(Street and Number) (City or Town, State and Zip Code)

Address of Main Administrative Office

415 North McKinley Street, Suite 820 ..... Little Rock ..... AR ..... 72205  
(Street and Number) (City or Town, State and Zip Code)

501-664-7700  
(Area Code) (Telephone Number)

Mail Address

10 Cadillac Drive, Suite 200 ..... Brentwood ..... TN ..... 37027  
(Street and Number or P. O. Box) (City or Town, State and Zip Code)

Primary Location of Books and Records

10 Cadillac Drive, Suite 200 ..... Brentwood ..... TN ..... 37027  
(Street and Number) (City or Town, State and Zip Code)

615-372-3622  
(Area Code) (Telephone Number)

Internet Website Address

www.uhc.com

Statement Contact

James Wesley Waters  
(Name)  
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(E-Mail Address)

615-372-3597  
(Area Code) (Telephone Number) (Extension)  
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Policyowner Relations Contact

6601 Centerville Business Parkway ..... Dayton ..... OH ..... 45459  
(Street and Number) (City or Town, State and Zip Code)

(Area Code) (Telephone Number) (Extension)

OFFICERS

President ..... John Aloysius Wickens

Chief Executive Officer ..... Charles Brian Shipp

Secretary ..... Christina Regina Palme-Krizak

OTHER OFFICERS

Allan Jay Weiss

William Arnold Munsell

David James Lubben

Daniel James McAthie

DIRECTORS OR TRUSTEES

Robert John Sheehy

John Aloysius Wickens

State of.....Tennessee  
County of....Williamson

State of.....Minnesota  
County of....Hennepin

State of.....Tennessee  
County of....Williamson

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively.

(Signature)

John Aloysius Wickens

(Printed Name)

President

(Signature)

Christina Regina Palme-Krizak

(Printed Name)

Secretary

(Signature)

Charles Brian Shipp

(Printed Name)

Chief Executive Officer

Subscribed and sworn to before me this

.....day of ....., 2003

.....

Subscribed and sworn to before me this

.....day of ....., 2003

.....

Subscribed and sworn to before me this

.....day of ....., 2003

.....

- a. Is this an original filing? Yes [ X ] No [ ]
- b. If no: 1. State the amendment number
2. Date filed.....
3. Number of pages attached.....

ASSETS

|  | Current Year |                    |                     | Prior Year          |
|--|--------------|--------------------|---------------------|---------------------|
|  | 1            | 2                  | 3                   | 4                   |
|  | Assets       | Nonadmitted Assets | Net Admitted Assets | Net Admitted Assets |
| 1. Bonds.....  | 37,028,594   |                    | 37,028,594          | 28,150,502          |
| 2. Stocks:   |              |                    |                     |                     |
| 2.1 Preferred stocks.....  |              |                    | .0                  |                     |
| 2.2 Common stocks.....   |              |                    | .0                  |                     |
| 3. Mortgage loans on real estate:  |              |                    |                     |                     |
| 3.1 First liens.....   |              |                    | .0                  |                     |
| 3.2 Other than first liens.....  |              |                    | .0                  |                     |
| 4. Real estate (Schedule A):   |              |                    |                     |                     |
| 4.1 Properties occupied by the company (less \$.....0 encumbrances).....   |              |                    | (a) .0              |                     |
| 4.2 Properties held for the production of income (less \$.....0 encumbrances).....   |              |                    | .0                  |                     |
| 4.3 Properties held for sale (less \$.....0 encumbrances).....   |              |                    | .0                  |                     |
| 5. Cash (\$.....(2,669,854), Schedule E, Part 1) and short-term investments (\$.....3,373,669, Schedule DA, Part 2).....   | 703,815      |                    | 703,815             | 3,792,458           |
| 6. Other long-term invested assets.....  |              |                    | .0                  |                     |
| 7. Receivable for securities.....  | 705          |                    | 705                 | 2,719               |
| 8. Aggregate write-ins for invested assets.....  | .0           | .0                 | .0                  | .0                  |
| 9. Subtotal cash and invested assets (Lines 1 to 8).....   | 37,733,114   | .0                 | 37,733,114          | 31,945,679          |
| 10. Accident and health premiums due and unpaid.....   | 571,064      |                    | 571,064             | 583,497             |
| 11. Health care receivables.....   | 527,204      | 527,204            | .0                  |                     |
| 12. Amounts recoverable from reinsurers.....   |              |                    | .0                  |                     |
| 13. Net adjustment in assets and liabilities due to foreign exchange rates.....  |              |                    | .0                  |                     |
| 14. Investment income due and accrued.....   | 495,289      |                    | 495,289             | 381,426             |
| 15. Amounts due from parent, subsidiaries and affiliates.....  |              |                    | .0                  |                     |
| 16. Amounts receivable relating to uninsured accident and health plans.....  |              |                    | .0                  |                     |
| 17. Furniture and equipment.....   |              |                    | .0                  |                     |
| 18. Amounts due from agents.....   |              |                    | .0                  |                     |
| 19. Federal and foreign income tax recoverable and interest thereon (including \$.....174,702 net deferred tax asset)..... | 675,224      |                    | 675,224             | 689,770             |
| 20. Electronic data processing equipment and software.....   |              |                    | .0                  |                     |
| 21. Other nonadmitted assets.....  |              |                    | .0                  |                     |
| 22. Aggregate write-ins for other than invested assets.....  | .0           | .0                 | .0                  | .0                  |
| 23. Total assets (Lines 9 plus 10 through 22).....   | 40,001,895   | 527,204            | 39,474,691          | 33,600,372          |

DETAILS OF WRITE-INS

|  |    |    |    |    |
|--|----|----|----|----|
| 0801. ....   |    |    | .0 |    |
| 0802. ....   |    |    | .0 |    |
| 0803. ....   |    |    | .0 |    |
| 0898. Summary of remaining write-ins for Line 8 from overflow page.....  | .0 | .0 | .0 | .0 |
| 0899. Totals (Lines 0801 thru 0803 plus 0898) (Line 8 above).....        | .0 | .0 | .0 | .0 |
| 2201. ....   |    |    | .0 |    |
| 2202. ....   |    |    | .0 |    |
| 2203. ....   |    |    | .0 |    |
| 2298. Summary of remaining write-ins for Line 22 from overflow page..... | .0 | .0 | .0 | .0 |
| 2299. Totals (Lines 2201 thru 2203 plus 2298) (Line 22 above).....       | .0 | .0 | .0 | .0 |

(a) \$.....0 health care delivery assets included in Line 4.1, Column 3.

LIABILITIES, CAPITAL AND SURPLUS

|   | Current Year |                |            | Prior year |
|---|--------------|----------------|------------|------------|
|   | 1<br>Covered | 2<br>Uncovered | 3<br>Total | 4<br>Total |
| 1. Claims unpaid (less \$.....0 reinsurance ceded).....   | 10,275,196   | 1,642,220      | 11,917,416 | 12,215,995 |
| 2. Accrued medical incentive pool and bonus payments.....   |              |                | 0          |            |
| 3. Unpaid claims adjustment expenses.....   |              |                | 0          |            |
| 4. Aggregate policy reserves.....   | 19,938       |                | 19,938     |            |
| 5. Aggregate claim reserves.....  | 490,928      | 78,462         | 569,390    | 502,867    |
| 6. Premiums received in advance.....  | 1,613,324    |                | 1,613,324  | 1,583,562  |
| 7. General expenses due or accrued.....   | 624,853      |                | 624,853    | 824,560    |
| 8. Federal and foreign income tax payable and interest thereon (including \$.....0<br>(on realized capital gains (losses)) (including \$.....0 net deferred tax liability)..... |              |                | 0          |            |
| 9. Amounts withheld or retained by company for the account of others.....   | 8,253        |                | 8,253      | 4,986      |
| 10. Borrowed money (including \$.....0 current) and interest thereon \$.....0<br>(including \$.....0 current).....  |              |                | 0          |            |
| 11. Amounts due to parent, subsidiaries and affiliates.....   | 62,124       |                | 62,124     | 137,812    |
| 12. Payable for securities.....   |              |                | 0          |            |
| 13. Funds held under reinsurance treaties with (\$.....0 authorized reinsurers<br>and \$.....0 unauthorized reinsurers).....  |              |                | 0          |            |
| 14. Reinsurance in unauthorized companies.....  |              |                | 0          |            |
| 15. Net adjustments in assets and liabilities due to foreign exchange rates.....  |              |                | 0          |            |
| 16. Liability for amounts held under uninsured accident and health plans.....   |              |                | 0          |            |
| 17. Aggregate write-ins for other liabilities (including \$.....0 current).....   | 538,279      | 0              | 538,279    | 468,583    |
| 18. Total liabilities (Lines 1 to 17).....  | 13,632,895   | 1,720,682      | 15,353,577 | 15,738,365 |
| 19. Common capital stock.....   | XXX          | XXX            | 100,000    | 100,000    |
| 20. Preferred capital stock.....  | XXX          | XXX            |            |            |
| 21. Gross paid in and contributed surplus.....  | XXX          | XXX            | 5,470,954  | 5,470,954  |
| 22. Surplus notes.....  | XXX          | XXX            |            |            |
| 23. Aggregate write-ins for other than special surplus funds.....   | XXX          | XXX            | 0          | 0          |
| 24. Unassigned funds (surplus).....   | XXX          | XXX            | 18,550,160 | 12,291,053 |
| 25. Less treasury stock, at cost:   |              |                |            |            |
| 25.1 .....0.000 shares common (value included in Line 19 \$.....0).....   | XXX          | XXX            |            |            |
| 25.2 .....0.000 shares preferred (value included in Line 20 \$.....0).....  | XXX          | XXX            |            |            |
| 26. Total capital and surplus (Lines 19 to 24 less Line 25).....  | XXX          | XXX            | 24,121,114 | 17,862,007 |
| 27. Total liabilities, capital and surplus (Lines 18 and 26).....   | XXX          | XXX            | 39,474,691 | 33,600,372 |

DETAILS OF WRITE-INS

|  |         |     |         |         |
|--|---------|-----|---------|---------|
| 1701. Other Liabilities.....   | 538,279 |     | 538,279 | 468,583 |
| 1702. ....   |         |     | 0       |         |
| 1703. ....   |         |     | 0       |         |
| 1798. Summary of remaining write-ins for Line 17 from overflow page..... | 0       | 0   | 0       | 0       |
| 1799. Totals (Lines 1701 thru 1703 plus 1798) (Line 17 above).....       | 538,279 | 0   | 538,279 | 468,583 |
| 2301. ....   | XXX     | XXX |         |         |
| 2302. ....   | XXX     | XXX |         |         |
| 2303. ....   | XXX     | XXX |         |         |
| 2398. Summary of remaining write-ins for Line 23 from overflow page..... | XXX     | XXX | 0       | 0       |
| 2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above).....       | XXX     | XXX | 0       | 0       |

STATEMENT OF REVENUE AND EXPENSES

|  | Current Year    |                  | Prior Year       |
|--|-----------------|------------------|------------------|
|  | 1<br>Uncovered  | 2<br>Total       | 3<br>Total       |
| 1. Member months.....  | XXX.....        | 699,844.....     | 699,678.....     |
| 2. Net premium income.....   | XXX.....        | 145,344,661..... | 149,029,844..... |
| 3. Change in unearned premium reserves and reserve for rate credits.....   | XXX.....        | .....            | .....            |
| 4. Fee-for-service (net of \$.....0 medical expenses).....   | XXX.....        | .....            | .....            |
| 5. Risk revenue.....   | XXX.....        | .....            | .....            |
| 6. Aggregate write-ins for other health care related revenues.....   | XXX.....        | 0.....           | 0.....           |
| 7. Total revenues (Lines 2 to 6).....  | XXX.....        | 145,344,661..... | 149,029,844..... |
| Medical and Hospital:  |                 |                  |                  |
| 8. Hospital/medical benefits.....  | 11,602,927..... | 84,201,210.....  | 103,376,694..... |
| 9. Other professional services.....  | .....           | 106,915.....     | 52,854.....      |
| 10. Outside referrals.....   | .....           | .....            | .....            |
| 11. Emergency room and out-of-area.....  | .....           | .....            | .....            |
| 12. Prescription drugs.....  | 2,426,457.....  | 17,608,539.....  | 14,053,786.....  |
| 13. Aggregate write-ins for other medical and hospital.....  | 0.....          | (86,539).....    | (500,742).....   |
| 14. Incentive pool and withhold adjustments.....   | .....           | .....            | .....            |
| 15. Subtotal (Lines 8 to 14).....  | 14,029,384..... | 101,830,125..... | 116,982,592..... |
| Less:  |                 |                  |                  |
| 16. Net reinsurance recoveries.....  | .....           | 1,771,921.....   | 354,099.....     |
| 17. Total medical and hospital (Lines 15 minus 16).....  | 14,029,384..... | 100,058,204..... | 116,628,493..... |
| 18. Claims adjustment expenses.....  | .....           | 4,656,472.....   | 3,751,846.....   |
| 19. General administrative expenses.....   | .....           | 23,138,585.....  | 21,162,434.....  |
| 20. Increase in reserves for accident and health contracts.....  | .....           | .....            | .....            |
| 21. Total underwriting deductions (Lines 17 through 20).....   | 14,029,384..... | 127,853,261..... | 141,542,773..... |
| 22. Total underwriting gain or (loss) (Lines 7 minus 21).....  | XXX.....        | 17,491,400.....  | 7,487,071.....   |
| 23. Net investment income earned.....  | .....           | 1,990,538.....   | 1,789,292.....   |
| 24. Net realized capital gains or (losses).....  | .....           | (381,582).....   | 57,470.....      |
| 25. Net investment gains or (losses) (Lines 23 plus 24).....   | 0.....          | 1,608,956.....   | 1,846,762.....   |
| 26. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....0) (amount charged off \$.....0)]..... | .....           | .....            | .....            |
| 27. Aggregate write-ins for other income or expenses.....  | 0.....          | 180,941.....     | 760.....         |
| 28. Net income or (loss) before federal income taxes (Lines 22 plus 25 plus 26 plus 27).....   | 0.....          | 19,281,297.....  | 9,334,593.....   |
| 29. Federal and foreign income taxes incurred.....   | XXX.....        | 6,261,000.....   | 3,345,845.....   |
| 30. Net income (loss) (Lines 28 minus 29).....   | XXX.....        | 13,020,297.....  | 5,988,748.....   |

DETAILS OF WRITE-INS

|  |          |               |                |
|--|----------|---------------|----------------|
| 0601. ....   | XXX..... | .....         | .....          |
| 0602. ....   | XXX..... | .....         | .....          |
| 0603. ....   | XXX..... | .....         | .....          |
| 0698. Summary of remaining write-ins for Line 6 from overflow page.....  | XXX..... | 0.....        | 0.....         |
| 0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above).....        | XXX..... | 0.....        | 0.....         |
| 1301. Other Medical Costs.....   | .....    | (86,539)..... | (500,742)..... |
| 1302. ....   | .....    | .....         | .....          |
| 1303. ....   | .....    | .....         | .....          |
| 1398. Summary of remaining write-ins for Line 13 from overflow page..... | 0.....   | 0.....        | 0.....         |
| 1399. Totals (Lines 1301 thru 1303 plus 1398) (Line 13 above).....       | 0.....   | (86,539)..... | (500,742)..... |
| 2701. Other Revenues.....  | .....    | 1,341.....    | 760.....       |
| 2702. Fines & Penalties.....   | .....    | 179,600.....  | .....          |
| 2703. ....   | .....    | .....         | .....          |
| 2798. Summary of remaining write-ins for Line 27 from overflow page..... | 0.....   | 0.....        | 0.....         |
| 2799. Totals (Lines 2701 thru 2703 plus 2798) (Line 27 above).....       | 0.....   | 180,941.....  | 760.....       |

STATEMENT OF REVENUE AND EXPENSES (Continued)

|   | 1<br>Current<br>Year | 2<br>Prior<br>Year |
|---|----------------------|--------------------|
| CAPITAL & SURPLUS ACCOUNT   |                      |                    |
| 31. Capital and surplus prior reporting year.....                         | .....17,862,007      | .....10,398,596    |
| GAINS AND LOSSES TO CAPITAL AND SURPLUS                                   |                      |                    |
| 32. Net income or (loss) from Line 30.....                                | .....13,020,297      | .....5,988,748     |
| 33. Change in valuation basis of aggregate policy and claim reserves..... | .....                | .....              |
| 34. Net unrealized capital gains and losses.....                          | .....                | .....              |
| 35. Change in net unrealized foreign exchange capital gain or (loss)..... | .....                | .....              |
| 36. Change in net deferred income tax.....                                | .....(242,059)       | .....              |
| 37. Change in nonadmitted assets.....                                     | .....(519,131)       | .....591,128       |
| 38. Change in unauthorized reinsurance.....                               | .....                | .....              |
| 39. Change in treasury stock.....   | .....                | .....              |
| 40. Change in surplus notes.....  | .....                | .....              |
| 41. Cumulative effect of changes in accounting principles.....            | .....                | .....883,535       |
| 42. Capital Changes:  |                      |                    |
| 42.1 Paid in.....   | .....                | .....              |
| 42.2 Transferred from surplus (stock dividend).....                       | .....                | .....              |
| 42.3 Transferred to surplus.....  | .....                | .....              |
| 43. Surplus adjustments:  |                      |                    |
| 43.1 Paid in.....   | .....                | .....              |
| 43.2 Transferred to capital (stock dividend).....                         | .....                | .....              |
| 43.3 Transferred from capital.....  | .....                | .....              |
| 44. Dividends to stockholders.....  | .....(6,000,000)     | .....              |
| 45. Aggregate write-ins for gains or (losses) in surplus.....             | .....0               | .....0             |
| 46. Net change in capital and surplus (Lines 32 to 45).....               | .....6,259,107       | .....7,463,411     |
| 47. Capital and surplus end of reporting year (Line 31 plus 46).....      | .....24,121,114      | .....17,862,007    |

|  |        |        |
|--|--------|--------|
| DETAILS OF WRITE-INS   |        |        |
| 4501. ....   | .....  | .....  |
| 4502. ....   | .....  | .....  |
| 4503. ....   | .....  | .....  |
| 4598. Summary of remaining write-ins for Line 45 from overflow page..... | .....0 | .....0 |
| 4599. Totals (Lines 4501 thru 4503 plus 4598) (Line 45 above).....       | .....0 | .....0 |

CASH FLOW

|   | 1<br>Current Year | 2<br>Prior Year |
|---|-------------------|-----------------|
| CASH FROM OPERATIONS  |                   |                 |
| 1. Premiums and revenues collected net of reinsurance.....                                | 145,406,794       | 148,155,198     |
| 2. Claims and claims adjustment expenses.....   | 104,946,732       | 119,160,507     |
| 3. General administrative expenses paid.....  | 23,338,292        | 20,821,882      |
| 4. Other underwriting income (expenses).....  | 180,941           | (760)           |
| 5. Cash from underwriting (Line 1 minus Line 2 minus Line 3 plus Line 4).....             | 17,302,711        | 8,172,049       |
| 6. Net Investment income.....   | 1,981,034         | 1,777,319       |
| 7. Other income (expenses).....   | 69,696            | 468,583         |
| 8. Federal and foreign income taxes (paid) recovered.....                                 | (6,488,513)       | (4,221,468)     |
| 9. Net cash from operations (Lines 5 to 8).....   | 12,864,928        | 6,196,483       |
| CASH FROM INVESTMENTS   |                   |                 |
| 10. Proceeds from investments sold, matured or repaid:                                    |                   |                 |
| 10.1 Bonds.....   | 6,478,564         | 4,662,072       |
| 10.2 Stocks.....  |                   | 424,382         |
| 10.3 Mortgage loans.....  |                   |                 |
| 10.4 Real estate.....   |                   |                 |
| 10.5 Other invested assets.....   |                   |                 |
| 10.6 Net gains or (losses) on cash and short-term investments.....                        |                   |                 |
| 10.7 Miscellaneous proceeds.....  | 2,014             | 3,330           |
| 10.8 Total investment proceeds (Lines 10.1 to 10.7).....                                  | 6,480,578         | 5,089,783       |
| 11. Cost of investments acquired (long-term only):  |                   |                 |
| 11.1 Bonds.....   | 15,842,597        | 10,451,536      |
| 11.2 Stocks.....  |                   |                 |
| 11.3 Mortgage loans.....  |                   |                 |
| 11.4 Real estate.....   |                   |                 |
| 11.5 Other invested assets.....   |                   |                 |
| 11.6 Miscellaneous applications.....  |                   |                 |
| 11.7 Total investments acquired (Lines 11.1 to 11.6).....                                 | 15,842,597        | 10,451,536      |
| 12. Net cash from investments (Line 10.8 minus Line 11.7).....                            | (9,362,019)       | (5,361,753)     |
| CASH FROM FINANCING AND MISCELLANEOUS SOURCES   |                   |                 |
| 13. Cash provided:  |                   |                 |
| 13.1 Surplus notes, capital and surplus paid in.....                                      |                   |                 |
| 13.2 Net transfers from affiliates.....   | (75,688)          |                 |
| 13.3 Borrowed funds received.....   |                   |                 |
| 13.4 Other cash provided.....   |                   | 868,216         |
| 13.5 Total (Lines 13.1 to 13.4).....  | (75,688)          | 868,216         |
| 14. Cash applied:   |                   |                 |
| 14.1 Dividends to stockholders paid.....  | 6,000,000         |                 |
| 14.2 Net transfers to affiliates.....   |                   | 1,412,720       |
| 14.3 Borrowed funds repaid.....   |                   |                 |
| 14.4 Other applications.....  | 515,864           |                 |
| 14.5 Total (Lines 14.1 to 14.4).....  | 6,515,864         | 1,412,720       |
| 15. Net cash from financing and miscellaneous sources (Line 13.5 minus Line 14.5).....    | (6,591,552)       | (544,504)       |
| RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS   |                   |                 |
| 16. Net change in cash and short-term investments (Line 9 plus Line 12 plus Line 15)..... | (3,088,643)       | 290,226         |
| 17. Cash and short-term investments:  |                   |                 |
| 17.1 Beginning of year.....   | 3,792,458         | 3,502,232       |
| 17.2 End of year (Line 16 plus Line 17.1).....  | 703,815           | 3,792,458       |



UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

|                  |  | 1                  | 2                      | 3                    | 4  |
|------------------|--|--------------------|------------------------|----------------------|--|
| Line of Business |  | Direct<br>Business | Reinsurance<br>Assumed | Reinsurance<br>Ceded | Net Premium<br>Income<br>(Cols. 1 + 2 - 3) |
| 1.               | Comprehensive (medical and hospital).....            | 146,013,761        |                        | 644,799              | 145,368,962                                |
| 2.               | Medicare supplement.....                             |                    |                        |                      | 0  |
| 3.               | Dental only.....                                     |                    |                        |                      | 0  |
| 4.               | Vision only.....                                     |                    |                        |                      | 0  |
| 5.               | Federal employees health benefits plan premiums..... |                    |                        |                      | 0  |
| 6.               | Title XVIII - Medicare.....                          | 25,398             |                        |                      | 25,398                                     |
| 7.               | Title XIX - Medicaid.....                            |                    |                        |                      | 0  |
| 8.               | Other.....   |                    |                        |                      | 0  |
| 9.               | Totals.....  | 146,039,159        | 0                      | 644,799              | 145,394,360                                |



UNDERWRITING AND INVESTMENT EXHIBIT  
PART 2 - CLAIMS INCURRED DURING THE YEAR

|   | 1           | 2  | 3                      | 4              | 5              | 6   | 7                          | 8                        | 9     |
|---|-------------|--|------------------------|----------------|----------------|---|----------------------------|--------------------------|-------|
|   | Total       | Comprehensive<br>(Medical<br>and Hospital) | Medicare<br>Supplement | Dental<br>Only | Vision<br>Only | Federal<br>Employees<br>Health<br>Benefits Plan Premium | Title<br>XVIII<br>Medicare | Title<br>XIX<br>Medicaid | Other |
| 1. Payments during the year:  |             |  |                        |                |                |   |                            |                          |       |
| 1.1 Direct.....   | 102,062,182 | 102,020,705                                |                        |                |                |   | 41,477                     |                          |       |
| 1.2 Reinsurance assumed.....  | 0           |  |                        |                |                |   |                            |                          |       |
| 1.3 Reinsurance ceded.....  | 1,771,921   | 1,771,921                                  |                        |                |                |   |                            |                          |       |
| 1.4 Net.....  | 100,290,261 | 100,248,784                                | 0                      | 0              | 0              | 0   | 41,477                     | 0                        | 0     |
| 2. Paid medical incentive pools and bonuses.....                      | 0           |  |                        |                |                |   |                            |                          |       |
| 3. Claim liability December 31, current year from Part 2A:            |             |  |                        |                |                |   |                            |                          |       |
| 3.1 Direct.....   | 11,917,412  | 11,917,658                                 |                        |                |                |   | (246)                      |                          |       |
| 3.2 Reinsurance assumed.....  | 0           |  |                        |                |                |   |                            |                          |       |
| 3.3 Reinsurance ceded.....  | 0           |  |                        |                |                |   |                            |                          |       |
| 3.4 Net.....  | 11,917,412  | 11,917,658                                 | 0                      | 0              | 0              | 0   | (246)                      | 0                        | 0     |
| 4. Claim reserve December 31, current year from Part 2D:              |             |  |                        |                |                |   |                            |                          |       |
| 4.1 Direct.....   | 569,389     | 569,390                                    |                        |                |                |   | (1)                        |                          |       |
| 4.2 Reinsurance assumed.....  | 0           |  |                        |                |                |   |                            |                          |       |
| 4.3 Reinsurance ceded.....  | 0           |  |                        |                |                |   |                            |                          |       |
| 4.4 Net.....  | 569,389     | 569,390                                    | 0                      | 0              | 0              | 0   | (1)                        | 0                        | 0     |
| 5. Accrued medical incentive pools and bonuses, current year.....     | 0           |  |                        |                |                |   |                            |                          |       |
| 6. Amounts recoverable from reinsurers December 31, current year..... | 0           |  |                        |                |                |   |                            |                          |       |
| 7. Claim liability December 31, prior year from Part 2A:              |             |  |                        |                |                |   |                            |                          |       |
| 7.1 Direct.....   | 12,215,996  | 12,197,302                                 |                        |                |                |   | 18,694                     |                          |       |
| 7.2 Reinsurance assumed.....  | 0           |  |                        |                |                |   |                            |                          |       |
| 7.3 Reinsurance ceded.....  | 0           |  |                        |                |                |   |                            |                          |       |
| 7.4 Net.....  | 12,215,996  | 12,197,302                                 | 0                      | 0              | 0              | 0   | 18,694                     | 0                        | 0     |
| 8. Claim reserve December 31, prior year from Part 2D:                |             |  |                        |                |                |   |                            |                          |       |
| 8.1 Direct.....   | 502,866     | 502,631                                    |                        |                |                |   | 235                        |                          |       |
| 8.2 Reinsurance assumed.....  | 0           |  |                        |                |                |   |                            |                          |       |
| 8.3 Reinsurance ceded.....  | 0           |  |                        |                |                |   |                            |                          |       |
| 8.4 Net.....  | 502,866     | 502,631                                    | 0                      | 0              | 0              | 0   | 235                        | 0                        | 0     |
| 9. Accrued medical incentive pools and bonuses, prior year.....       | 0           |  |                        |                |                |   |                            |                          |       |
| 10. Amounts recoverable from reinsurers December 31, prior year.....  | 0           |  |                        |                |                |   |                            |                          |       |
| 11. Incurred benefits:  |             |  |                        |                |                |   |                            |                          |       |
| 11.1 Direct.....  | 101,830,121 | 101,807,820                                | 0                      | 0              | 0              | 0   | 22,301                     | 0                        | 0     |
| 11.2 Reinsurance assumed.....   | 0           | 0  | 0                      | 0              | 0              | 0   | 0                          | 0                        | 0     |
| 11.3 Reinsurance ceded.....   | 1,771,921   | 1,771,921                                  | 0                      | 0              | 0              | 0   | 0                          | 0                        | 0     |
| 11.4 Net.....   | 100,058,200 | 100,035,899                                | 0                      | 0              | 0              | 0   | 22,301                     | 0                        | 0     |
| 12. Incurred medical incentive pools and bonuses.....                 | 0           | 0  | 0                      | 0              | 0              | 0   | 0                          | 0                        | 0     |

UNDERWRITING AND INVESTMENT EXHIBIT  
PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

|   | 1          | 2  | 3                      | 4              | 5              | 6   | 7                          | 8                        | 9     |
|---|------------|--|------------------------|----------------|----------------|---|----------------------------|--------------------------|-------|
|   | Total      | Comprehensive<br>(Medical<br>and Hospital) | Medicare<br>Supplement | Dental<br>Only | Vision<br>Only | Federal<br>Employees Health<br>Benefits Plan<br>Premium | Title<br>XVIII<br>Medicare | Title<br>XIX<br>Medicaid | Other |
| 1. Reported in process of adjustment:                 |            |  |                        |                |                |   |                            |                          |       |
| 1.1 Direct.....                                       | 3,462,871  | 3,463,194                                  |                        |                |                |   | (323)                      |                          |       |
| 1.2 Reinsurance assumed.....                          | 0          |  |                        |                |                |   |                            |                          |       |
| 1.3 Reinsurance ceded.....                            | 0          |  |                        |                |                |   |                            |                          |       |
| 1.4 Net.....  | 3,462,871  | 3,463,194                                  | 0                      | 0              | 0              | 0   | (323)                      | 0                        | 0     |
| 2. Incurred but unreported:                           |            |  |                        |                |                |   |                            |                          |       |
| 2.1 Direct.....                                       | 8,454,541  | 8,454,464                                  |                        |                |                |   | 77                         |                          |       |
| 2.2 Reinsurance assumed.....                          | 0          |  |                        |                |                |   |                            |                          |       |
| 2.3 Reinsurance ceded.....                            | 0          |  |                        |                |                |   |                            |                          |       |
| 2.4 Net.....  | 8,454,541  | 8,454,464                                  | 0                      | 0              | 0              | 0   | 77                         | 0                        | 0     |
| 3. Amounts withheld from paid claims and capitations: |            |  |                        |                |                |   |                            |                          |       |
| 3.1 Direct.....                                       | 0          |  |                        |                |                |   |                            |                          |       |
| 3.2 Reinsurance assumed.....                          | 0          |  |                        |                |                |   |                            |                          |       |
| 3.3 Reinsurance ceded.....                            | 0          |  |                        |                |                |   |                            |                          |       |
| 3.4 Net.....  | 0          | 0  | 0                      | 0              | 0              | 0   | 0                          | 0                        | 0     |
| 4. Totals:  |            |  |                        |                |                |   |                            |                          |       |
| 4.1 Direct.....                                       | 11,917,412 | 11,917,658                                 | 0                      | 0              | 0              | 0   | (246)                      | 0                        | 0     |
| 4.2 Reinsurance assumed.....                          | 0          | 0  | 0                      | 0              | 0              | 0   | 0                          | 0                        | 0     |
| 4.3 Reinsurance ceded.....                            | 0          | 0  | 0                      | 0              | 0              | 0   | 0                          | 0                        | 0     |
| 4.4 Net.....  | 11,917,412 | 11,917,658                                 | 0                      | 0              | 0              | 0   | (246)                      | 0                        | 0     |

UNDERWRITING AND INVESTMENT EXHIBIT  
PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

| Line of Business   | Claims Paid<br>During the Year                                   |   | Claim Reserve and Claim Liability<br>December 31 of Current Year |   | 5  | 6   |
|--|--|---|--|---|--|---|
|  | 1<br>On Claims Incurred<br>Prior to January 1<br>of Current Year | 2<br>On Claims<br>Incurred During<br>the Year | 3<br>On Claims Unpaid<br>December 31 of<br>Prior Year            | 4<br>On Claims<br>Incurred During<br>the Year | Claims Incurred<br>in Prior Years<br>(Columns 1 + 3) | Estimated Claim<br>Reserve and<br>Claim Liability<br>December 31 of<br>Prior Year |
| 1. Comprehensive (medical and hospital).....                 | .....9,302,236   | .....90,946,549                               | .....(377,639)   | .....12,864,692                               | .....8,924,597                                       | .....12,699,933   |
| 2. Medicare supplement.....                                  | .....  | .....   | .....  | .....   | .....0   | .....   |
| 3. Dental only.....  | .....  | .....   | .....  | .....   | .....0   | .....   |
| 4. Vision only.....  | .....  | .....   | .....  | .....   | .....0   | .....   |
| 5. Federal employees health benefits plan premiums.....      | .....  | .....   | .....  | .....   | .....0   | .....   |
| 6. Title XVIII - Medicare.....                               | .....  | .....41,477                                   | .....(245)   | .....(2)                                      | .....(245)   | .....18,929   |
| 7. Title XIX - Medicaid.....                                 | .....  | .....   | .....  | .....   | .....0   | .....   |
| 8. Other.....  | .....  | .....   | .....  | .....   | .....0   | .....   |
| 9. Subtotal.....   | .....9,302,236   | .....90,988,026                               | .....(377,884)   | .....12,864,690                               | .....8,924,352                                       | .....12,718,862   |
| 10. Medical incentive pools, accruals and disbursements..... | .....  | .....   | .....  | .....   | .....0   | .....   |
| 11. Totals .....   | .....9,302,236   | .....90,988,026                               | .....(377,884)   | .....12,864,690                               | .....8,924,352                                       | .....12,718,862   |



## PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

## SECTION A - PAID CLAIMS - HOSPITAL AND MEDICAL

| Year in Which Losses<br>Were Incurred | Net Amounts Paid |           |           |           |           |
|---------------------------------------|------------------|-----------|-----------|-----------|-----------|
|                                       | 1<br>1998        | 2<br>1999 | 3<br>2000 | 4<br>2001 | 5<br>2002 |
| 1. Prior.....                         | 5,889            |           |           |           |           |
| 2. 1998.....                          | 43,032           | 8,756     | 197       |           |           |
| 3. 1999.....                          | XXX              | 57,370    | 6,272     | 42        |           |
| 4. 2000.....                          | XXX              | XXX       | 66,310    | 7,585     | 249       |
| 5. 2001.....                          | XXX              | XXX       | XXX       | 76,579    | 9,053     |
| 6. 2002.....                          | XXX              | XXX       | XXX       | XXX       | 90,947    |

## SECTION B - INCURRED CLAIMS - HOSPITAL AND MEDICAL

|               | Year in Which Losses<br>Were Incurred | Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year |           |           |           |           |
|---------------|---------------------------------------|---|-----------|-----------|-----------|-----------|
|               |                                       | 1<br>1998   | 2<br>1999 | 3<br>2000 | 4<br>2001 | 5<br>2002 |
| 1. Prior..... |                                       | 44,843  | 44,814    | 44,814    | 44,814    | 44,814    |
| 2. 1998.....  |                                       | 56,311  | 52,320    | 51,984    | 51,984    | 51,984    |
| 3. 1999.....  |                                       | XXX   | 68,787    | 63,966    | 63,685    | 63,685    |
| 4. 2000.....  |                                       | XXX   | XXX       | 77,661    | 74,114    | 74,144    |
| 5. 2001.....  |                                       | XXX   | XXX       | XXX       | 89,060    | 85,255    |
| 6. 2002.....  |                                       | XXX   | XXX       | XXX       | XXX       | 103,811   |

## SECTION C - INCURRED YEAR CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - HOSPITAL AND MEDICAL

[illegible]

## PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

**NONE**

**NONE**

**NONE**

| Years in Which<br>Premiums were Earned and<br>Claims were Incurred | 1<br><br>Premiums<br>Earned | 2<br><br>Claim<br>Payments | 3<br><br>Claim Adjustment<br>Expense Payments | 4<br><br>Percent<br>(Col. 3/2) | 5<br><br>Claim and Claim<br>Adjustment<br>Expense Payments<br>(Col. 2 + 3) | 6<br><br>Percent<br>(Col. 5/1) | 7<br><br>Claims<br>Unpaid | 8<br><br>Unpaid Claim<br>Adjustment<br>Expense | 9<br><br>Total Claims and<br>Claims Adjustment<br>Expense Incurred<br>(Col. 5 + 7 + 8) | 10<br><br>Percent<br>(Col. 9/1) |
|--|-----------------------------|----------------------------|---|--------------------------------|--|--------------------------------|---------------------------|--|--|---------------------------------|
| 1. Prior to 1998.....  | XXX                         |                            |   | XXX                            | 0  | XXX                            |                           |  | 0  | XXX                             |
| 2. 1998.....   |                             |                            |   | 0.0                            | 0  | 0.0                            |                           |  | 0  | 0.0                             |
| 3. 1999.....   |                             |                            |   |                                | 0  | 0.0                            |                           |  | 0  | 0.0                             |
| 4. 2000.....   |                             |                            |   | 0                              | 0  | 0.0                            |                           |  | 0  | 0.0                             |
| 5. 2001.....   |                             |                            |   | 0.0                            | 0  | 0.0                            |                           |  | 0  | 0.0                             |
| 6. 2002.....   |                             |                            |   | 0.0                            | 0  | 0.0                            |                           |  | 0  | 0.0                             |
| 7. Total (Lines 1 through 6).....                                  | XXX                         | 0                          | 0   | XXX                            | 0  | XXX                            | 0                         | 0  | 0  | XXX                             |
| 8. Total (Lines 2 through 6).....                                  | 0                           | XXX                        | XXX   | XXX                            | xxx  | xxx                            | xxx                       | xxx  | xxx  | xxx                             |

## 12.MS

## UNDERWRITING AND INVESTMENT EXHIBIT

## PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

**SECTION A - PAID CLAIMS - DENTAL ONLY**

| Year in Which Losses<br>Were Incurred | Net Amounts Paid |           |           |           |           |
|---------------------------------------|------------------|-----------|-----------|-----------|-----------|
|                                       | 1<br>1997        | 2<br>1999 | 3<br>2000 | 4<br>2001 | 5<br>2002 |
| 1. Prior.....                         |                  |           |           |           |           |
| 2. 1998.....                          |                  |           |           |           |           |
| 3. 1999.....                          | XXX              |           |           |           |           |
| 4. 2000.....                          | XXX              | XXX       |           |           |           |
| 5. 2001.....                          | XXX              | XXX       | XXX       |           |           |
| 6. 2002.....                          | XXX              | XXX       | XXX       | XXX       |           |

## SECTION B - INCURRED CLAIMS - DENTAL ONLY

| Year in Which Losses<br>Were Incurred | Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year |           |           |           |           |
|---------------------------------------|---|-----------|-----------|-----------|-----------|
|                                       | 1<br>1998   | 2<br>1999 | 3<br>2000 | 4<br>2001 | 5<br>2002 |
| 1. Prior.....                         | <b>NONE</b>   |           |           |           |           |
| 2. 1998.....                          |   |           |           |           |           |
| 3. 1999.....                          |   | XXX       |           |           |           |
| 4. 2000.....                          |   | XXX       | XXX       |           |           |
| 5. 2001.....                          |   | XXX       | XXX       | XXX       |           |
| 6. 2002.....                          |   | XXX       | XXX       | XXX       | XXX       |

**SECTION C - INCURRED YEAR CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - DENTAL ONLY**[illegible]

## PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

## SECTION A - PAID CLAIMS - VISION ONLY

| Year in Which Losses<br>Were Incurred | Net Amounts Paid |           |           |           |           |
|---------------------------------------|------------------|-----------|-----------|-----------|-----------|
|                                       | 1<br>1997        | 2<br>1999 | 3<br>2000 | 4<br>2001 | 5<br>2002 |
| 1. Prior.....                         |                  |           |           |           |           |
| 2. 1998.....                          |                  |           |           |           |           |
| 3. 1999.....                          | XXX.....         |           |           |           |           |
| 4. 2000.....                          | XXX.....         | XXX.....  |           |           |           |
| 5. 2001.....                          | XXX.....         | XXX.....  | XXX.....  |           |           |
| 6. 2002.....                          | XXX.....         | XXX.....  | XXX.....  | XXX.....  |           |

## SECTION B - INCURRED CLAIMS - VISION ONLY

| Year in Which Losses<br>Were Incurred | Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year |           |           |           |           |
|---------------------------------------|---|-----------|-----------|-----------|-----------|
|                                       | 1<br>1998   | 2<br>1999 | 3<br>2000 | 4<br>2001 | 5<br>2002 |
| 1. Prior.....                         | <b>NONE</b>   |           |           |           |           |
| 2. 1998.....                          |   |           |           |           |           |
| 3. 1999.....                          |   | XXX       |           |           |           |
| 4. 2000.....                          |   | XXX       | XXX       |           |           |
| 5. 2001.....                          |   | XXX       | XXX       | XXX       |           |
| 6. 2002.....                          |   | XXX       | XXX       | XXX       | XXX       |

## SECTION C - INCURRED YEAR CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - VISION ONLY

[illegible]







**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS**  
(000 Omitted)

## SECTION A - PAID CLAIMS - TITLE XIX - MEDICAID

| Year in Which Losses<br>Were Incurred | Net Amounts Paid |           |           |           |           |
|---------------------------------------|------------------|-----------|-----------|-----------|-----------|
|                                       | 1<br>1997        | 2<br>1999 | 3<br>2000 | 4<br>2001 | 5<br>2002 |
| 1. Prior.....                         |                  |           |           |           |           |
| 2. 1998.....                          |                  |           |           |           |           |
| 3. 1999.....                          | XXX              |           |           |           |           |
| 4. 2000.....                          | XXX              | XXX       |           |           |           |
| 5. 2001.....                          | XXX              | XXX       | XXX       |           |           |
| 6. 2002.....                          | XXX              | XXX       | XXX       | XXX       |           |

## SECTION B - INCURRED CLAIMS - TITLE XIX - MEDICAID

| Year in Which Losses<br>Were Incurred | Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year |           |           |           |           |
|---------------------------------------|---|-----------|-----------|-----------|-----------|
|                                       | 1<br>1998   | 2<br>1999 | 3<br>2000 | 4<br>2001 | 5<br>2002 |
| 1. Prior.....                         | <b>NONE</b>   |           |           |           |           |
| 2. 1998.....                          |   |           |           |           |           |
| 3. 1999.....                          |   | XXX       |           |           |           |
| 4. 2000.....                          |   | XXX       | XXX       |           |           |
| 5. 2001.....                          |   | XXX       | XXX       | XXX       |           |
| 6. 2002.....                          |   | XXX       | XXX       | XXX       | XXX       |

## SECTION C - INCURRED YEAR CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - TITLE XIX - MEDICAID

[illegible]

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS**  
(000 Omitted)

## SECTION A - PAID CLAIMS - OTHER

| Year in Which Losses<br>Were Incurred | Net Amounts Paid |           |           |           |           |
|---------------------------------------|------------------|-----------|-----------|-----------|-----------|
|                                       | 1<br>1997        | 2<br>1999 | 3<br>2000 | 4<br>2001 | 5<br>2002 |
| 1. Prior.....                         |                  |           |           |           |           |
| 2. 1998.....                          |                  |           |           |           |           |
| 3. 1999.....                          | XXX              |           |           |           |           |
| 4. 2000.....                          | XXX              | XXX       |           |           |           |
| 5. 2001.....                          | XXX              | XXX       | XXX       |           |           |
| 6. 2002.....                          | XXX              | XXX       | XXX       | XXX       |           |

## SECTION B - INCURRED CLAIMS - OTHER

| Year in Which Losses<br>Were Incurred | Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year |           |           |           |           |
|---------------------------------------|---|-----------|-----------|-----------|-----------|
|                                       | 1<br>1998   | 2<br>1999 | 3<br>2000 | 4<br>2001 | 5<br>2002 |
| 1. Prior.....                         | <div>NONE</div>   |           |           |           |           |
| 2. 1998.....                          |   |           |           |           |           |
| 3. 1999.....                          |   | XXX       |           |           |           |
| 4. 2000.....                          |   | XXX       | XXX       |           |           |
| 5. 2001.....                          |   | XXX       | XXX       | XXX       |           |
| 6. 2002.....                          |   | XXX       | XXX       | XXX       | XXX       |

## SECTION C - INCURRED YEAR CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - OTHER

[illegible]

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS

|   | 1        | 2  | 3                      | 4              | 5              | 6  | 7                          | 8                        | 9     |
|---|----------|--|------------------------|----------------|----------------|--|----------------------------|--------------------------|-------|
|   | Total    | Comprehensive<br>(Hospital<br>and Medical) | Medicare<br>Supplement | Dental<br>Only | Vision<br>Only | Federal<br>Employees<br>Health<br>Benefit Plan | Title<br>XVIII<br>Medicare | Title<br>XIX<br>Medicaid | Other |
| POLICY RESERVE  |          |  |                        |                |                |  |                            |                          |       |
| 1. Unearned premium reserves.....   | 19,938   | 19,938                                     |                        |                |                |  |                            |                          |       |
| 2. Additional policy reserves (a).....  | .0       |  |                        |                |                |  |                            |                          |       |
| 3. Reserve for future contingent benefits.....  | .0       |  |                        |                |                |  |                            |                          |       |
| 4. Reserve for rate credits or experience rating refunds<br>(including \$.0) for investment income..... | .0       |  |                        |                |                |  |                            |                          |       |
| 5. Aggregate write-ins for other policy reserves.....   | .0       | .0   | .0                     | .0             | .0             | .0   | .0                         | .0                       | .0    |
| 6. Totals (gross).....  | 19,938   | 19,938                                     | .0                     | .0             | .0             | .0   | .0                         | .0                       | .0    |
| 7. Reinsurance ceded.....   | .0       |  |                        |                |                |  |                            |                          |       |
| 8. Totals (net) (Page 3, Line 4).....   | 19,938   | 19,938                                     | .0                     | .0             | .0             | .0   | .0                         | .0                       | .0    |
| CLAIM RESERVE   |          |  |                        |                |                |  |                            |                          |       |
| 9. Present value of amounts not yet due on claims.....  | .0       |  |                        |                |                |  |                            |                          |       |
| 10. Reserve for future contingent benefits.....   | .569,390 | .569,390                                   |                        |                |                |  |                            |                          |       |
| 11. Aggregate write-ins for other claim reserves.....   | .0       | .0   | .0                     | .0             | .0             | .0   | .0                         | .0                       | .0    |
| 12. Totals (gross).....   | .569,390 | .569,390                                   | .0                     | .0             | .0             | .0   | .0                         | .0                       | .0    |
| 13. Reinsurance ceded.....  | .0       |  |                        |                |                |  |                            |                          |       |
| 14. Totals (net) (Page 3, Line 5).....  | .569,390 | .569,390                                   | .0                     | .0             | .0             | .0   | .0                         | .0                       | .0    |
| DETAILS OF WRITE-INS  |          |  |                        |                |                |  |                            |                          |       |
| 0501. ....  | .0       |  |                        |                |                |  |                            |                          |       |
| 0502. ....  | .0       |  |                        |                |                |  |                            |                          |       |
| 0503. ....  | .0       |  |                        |                |                |  |                            |                          |       |
| 0598. Summary of remaining write-ins for Line 5 from overflow page.....                                 | .0       | .0   | .0                     | .0             | .0             | .0   | .0                         | .0                       | .0    |
| 0599. Totals (Lines 0501 thru 0503 plus 0595) (Line 5 above).....                                       | .0       | .0   | .0                     | .0             | .0             | .0   | .0                         | .0                       | .0    |
| 1101. ....  | .0       |  |                        |                |                |  |                            |                          |       |
| 1102. ....  | .0       |  |                        |                |                |  |                            |                          |       |
| 1103. ....  | .0       |  |                        |                |                |  |                            |                          |       |
| 1198. Summary of remaining write-ins for Line 11 from overflow page.....                                | .0       | .0   | .0                     | .0             | .0             | .0   | .0                         | .0                       | .0    |
| 1199. Totals (Lines 1101 thru 1103 plus 11911) (Line 11 above).....                                     | .0       | .0   | .0                     | .0             | .0             | .0   | .0                         | .0                       | .0    |

(a) Includes \$.0 premium deficiency reserve.

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 3 - ANALYSIS OF EXPENSES**

|   | 1<br>Claim<br>Adjustment<br>Expenses | 2<br>General<br>Administrative<br>Expenses | 3<br>Investment<br>Expenses | 4<br>Total         |
|---|--------------------------------------|--|-----------------------------|--------------------|
| 1. Rent (\$.....0 for occupancy of own building).....                                     | .....272,086                         | .....265,302                               | .....                       | .....537,388       |
| 2. Salaries, wages and other benefits.....  | .....2,752,138                       | .....7,700,278                             | .....                       | .....10,452,416    |
| 3. Commissions (less \$.....0 ceded plus \$.....0 assumed).....                           | .....                                | .....6,109,784                             | .....                       | .....6,109,784     |
| 4. Legal fees and expenses.....   | .....                                | .....4,768                                 | .....                       | .....4,768         |
| 5. Certifications and accreditation fees.....   | .....                                | .....                                      | .....                       | .....0             |
| 6. Auditing, actuarial and other consulting services.....                                 | .....84,145                          | .....851,514                               | .....                       | .....935,659       |
| 7. Traveling expenses.....  | .....                                | .....310,340                               | .....                       | .....310,340       |
| 8. Marketing and advertising.....   | .....27,739                          | .....626,129                               | .....                       | .....653,868       |
| 9. Postage, express and telephone.....  | .....649,971                         | .....1,466,856                             | .....                       | .....2,116,827     |
| 10. Printing and office supplies.....   | .....50,410                          | .....219,393                               | .....                       | .....269,803       |
| 11. Occupancy, depreciation and amortization.....   | .....                                | .....93,435                                | .....                       | .....93,435        |
| 12. Equipment.....  | .....                                | .....45,455                                | .....                       | .....45,455        |
| 13. Cost or depreciation of EDP equipment and software.....                               | .....376,052                         | .....660,637                               | .....                       | .....1,036,689     |
| 14. Outsourced services including EDP, claims, and other services.....                    | .....401,066                         | .....501,809                               | .....                       | .....902,875       |
| 15. Boards, bureaus and association fees.....   | .....                                | .....19,301                                | .....                       | .....19,301        |
| 16. Insurance, except on real estate.....   | .....                                | .....113,635                               | .....                       | .....113,635       |
| 17. Collection and bank service charges.....  | .....                                | .....36,510                                | .....                       | .....36,510        |
| 18. Group service and administration fees.....  | .....                                | .....                                      | .....                       | .....0             |
| 19. Reimbursements by uninsured accident and health plans.....                            | .....                                | .....                                      | .....                       | .....0             |
| 20. Reimbursements from fiscal intermediaries.....  | .....                                | .....                                      | .....                       | .....0             |
| 21. Real estate expenses.....   | .....                                | .....                                      | .....                       | .....0             |
| 22. Real estate taxes.....  | .....                                | .....                                      | .....                       | .....0             |
| 23. Taxes, licenses and fees:   |                                      |  |                             |                    |
| 23.1 State and local insurance taxes.....   | .....                                | .....                                      | .....                       | .....0             |
| 23.2 State premium taxes.....   | .....                                | .....3,324,519                             | .....                       | .....3,324,519     |
| 23.3 Regulatory authority licenses and fees.....  | .....                                | .....30,400                                | .....                       | .....30,400        |
| 23.4 Payroll taxes.....   | .....42,865                          | .....213,944                               | .....                       | .....256,809       |
| 23.5 Other (excluding federal income and real estate taxes).....                          | .....                                | .....462,453                               | .....                       | .....462,453       |
| 24. Investment expenses not included elsewhere.....                                       | .....                                | .....                                      | .....37,196                 | .....37,196        |
| 25. Aggregate write-ins for expenses.....   | .....0                               | .....82,123                                | .....0                      | .....82,123        |
| 26. Total expenses incurred (Lines 1 to 25).....  | .....4,656,472                       | .....23,138,585                            | .....37,196                 | (a).....27,832,253 |
| 27. Add expenses unpaid December 31, prior year.....                                      | .....                                | .....824,560                               | .....                       | .....824,560       |
| 28. Less expenses unpaid December 31, current year.....                                   | .....                                | .....624,853                               | .....                       | .....624,853       |
| 29. Amounts receivable relating to uninsured accident and health plans, prior year.....   | .....                                | .....                                      | .....                       | .....0             |
| 30. Amounts receivable relating to uninsured accident and health plans, current year..... | .....                                | .....                                      | .....                       | .....0             |
| 31. Total expenses paid (Lines 26 plus 27 minus 28 minus 29 plus 30).....                 | .....4,656,472                       | .....23,338,292                            | .....37,196                 | .....28,031,960    |

**DETAILS OF WRITE-INS**

|  |        |             |        |             |
|--|--------|-------------|--------|-------------|
| 2501. Other Miscellaneous.....   | .....  | .....82,123 | .....  | .....82,123 |
| 2502. ....   | .....  | .....       | .....  | .....0      |
| 2503. ....   | .....  | .....       | .....  | .....0      |
| 2598. Summary of remaining write-ins for Line 25 from overflow page..... | .....0 | .....0      | .....0 | .....0      |
| 2599. TOTALS (Lines 2501 thru 2503 plus 2598) (Line 25 above).....       | .....0 | .....82,123 | .....0 | .....82,123 |

(a) Includes management fees of \$.....17,515,687 to affiliates and \$.....0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

|  | 1<br>Collected<br>During Year | 2<br>Earned<br>During Year |
|--|-------------------------------|----------------------------|
| 1. U.S. government bonds.....  | (a).....74,197                | .....73,898                |
| 1.1 Bonds exempt from U.S. tax.....  | (a).....1,718,200             | .....1,832,362             |
| 1.2 Other bonds (unaffiliated).....  | (a).....                      | .....                      |
| 1.3 Bonds of affiliates.....   | (a).....                      | .....                      |
| 2.1 Preferred stocks (unaffiliated).....                                     | (b).....                      | .....                      |
| 2.11 Preferred stocks of affiliates.....                                     | (b).....                      | .....                      |
| 2.2 Common stocks (unaffiliated).....  | .....                         | .....                      |
| 2.21 Common stocks of affiliates.....  | .....                         | .....                      |
| 3. Mortgage loans.....   | (c).....                      | .....                      |
| 4. Real estate.....  | (d).....                      | .....                      |
| 5. Contract loans.....   | .....                         | .....                      |
| 6. Cash/short-term investments.....  | (e).....121,625               | .....121,625               |
| 7. Derivative instruments.....   | (f).....                      | .....                      |
| 8. Other invested assets.....  | .....                         | .....                      |
| 9. Aggregate write-ins for investment income.....                            | .....0                        | .....0                     |
| 10. Total gross investment income.....                                       | .....1,914,022                | .....2,027,885             |
| 11. Investment expenses.....   | (g).....37,196                |                            |
| 12. Investment taxes, licenses and fees, excluding federal income taxes..... | (g).....151                   |                            |
| 13. Interest expense.....  | (h).....                      |                            |
| 14. Depreciation on real estate and other invested assets.....               | (i).....0                     |                            |
| 15. Aggregate write-ins for deductions from investment income.....           | .....0                        |                            |
| 16. Total deductions (Lines 11 through 15).....                              | .....37,347                   |                            |
| 17. Net investment income (Line 10 minus Line 16).....                       | .....1,990,538                |                            |

| DETAILS OF WRITE-INS   |        |        |
|--|--------|--------|
| 0901. ....   | .....  | .....  |
| 0902. ....   | .....  | .....  |
| 0903. ....   | .....  | .....  |
| 0998. Summary of remaining write-ins for Line 9 from overflow page.....  | .....0 | .....0 |
| 0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....        | .....0 | .....0 |
| 1501. ....   | .....  |        |
| 1502. ....   | .....  |        |
| 1503. ....   | .....  |        |
| 1598. Summary of remaining write-ins for Line 15 from overflow page..... | .....0 |        |
| 1599. Totals (Lines 1501 thru 1503 plus 1598) (Line 15 above).....       | .....0 |        |

- (a) Includes \$.....54,297 accrual of discount less \$.....158,926 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (b) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued dividends on purchases.
- (c) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (d) Includes \$.....0 for company's occupancy of its own buildings; and excludes \$.....0 interest on encumbrances.
- (e) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (f) Includes \$.....0 accrual of discount less \$.....0 amortization of premium.
- (g) Includes \$.....37,151 investment expenses and \$.....151 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$.....0 interest on surplus notes and \$.....0 interest on capital notes.
- (i) Includes \$.....0 depreciation on real estate and \$.....0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

|  | 1<br><br>Realized<br>Gain (Loss)<br>on Sales<br>or Maturity | 2<br><br>Other<br>Realized<br>Adjustments | 3<br><br>Increases<br>(Decreases) by<br>Adjustment | 4<br><br>Net Gain or (Loss)<br>from Change in<br>Difference Between<br>Basis Book/<br>Adjusted<br>Carrying and<br>Admitted Values | 5<br><br>Total |
|--|---|---|--|---|----------------|
| 1. U.S. government bonds.....                          | .....   | .....                                     | .....  | .....   | .....0         |
| 1.1 Bonds exempt from U.S. tax.....                    | .....381,582  | .....                                     | .....  | .....   | .....381,582   |
| 1.2 Other bonds (unaffiliated).....                    | .....   | .....                                     | .....  | .....   | .....0         |
| 1.3 Bonds of affiliates.....                           | .....   | .....                                     | .....  | .....   | .....0         |
| 2.1 Preferred stocks (unaffiliated).....               | .....   | .....                                     | .....  | .....   | .....0         |
| 2.11 Preferred stocks of affiliates.....               | .....   | .....                                     | .....  | .....   | .....0         |
| 2.2 Common stocks (unaffiliated).....                  | .....   | .....                                     | .....  | .....   | .....0         |
| 2.21 Common stocks of affiliates.....                  | .....   | .....                                     | .....  | .....   | .....0         |
| 3. Mortgage loans.....                                 | .....   | .....                                     | .....  | .....   | .....0         |
| 4. Real estate.....                                    | .....   | .....                                     | .....  | .....   | .....0         |
| 5. Contract loans.....                                 | .....   | .....                                     | .....  | .....   | .....0         |
| 6. Cash/short-term investments.....                    | .....   | .....                                     | .....  | .....   | .....0         |
| 7. Derivative instruments.....                         | .....   | .....                                     | .....  | .....   | .....0         |
| 8. Other invested assets.....                          | .....   | .....                                     | .....  | .....   | .....0         |
| 9. Aggregate write-ins for capital gains (losses)..... | .....0  | .....0                                    | .....0   | .....0  | .....0         |
| 10. Total capital gains (losses).....                  | .....381,582  | .....0                                    | .....0   | .....0  | .....381,582   |

| DETAILS OF WRITE-INS   |        |        |        |        |        |
|--|--------|--------|--------|--------|--------|
| 0901. ....   | .....  | .....  | .....  | .....  | .....0 |
| 0902. ....   | .....  | .....  | .....  | .....  | .....0 |
| 0903. ....   | .....  | .....  | .....  | .....  | .....0 |
| 0998. Summary of remaining write-ins for Line 9 from overflow page.. | .....0 | .....0 | .....0 | .....0 | .....0 |
| 0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....    | .....0 | .....0 | .....0 | .....0 | .....0 |

**EXHIBIT 1 - ANALYSIS OF NONADMITTED ASSETS AND RELATED ITEMS**

|   | 1                      | 2                    | 3  |
|---|------------------------|----------------------|--|
|   | End of<br>Current Year | End of<br>Prior Year | Change for Year<br>(Increase) or<br>Decrease |
| 1. Summary of Items, Page 2, Lines 10 to 16 and 19 to 20, Column 2..... | .....527,204           | .....8,073           | .....(519,131)                               |
| 2. Other nonadmitted assets:  |                        |                      |  |
| 2.1 Bills receivable.....   | .....                  | .....                | .....0                                       |
| 2.2 Leasehold improvements.....   | .....                  | .....                | .....0                                       |
| 2.3 Cash advanced to or in hands of officers and agents.....            | .....                  | .....                | .....0                                       |
| 2.4 Loans on personal security, endorsed or not.....                    | .....                  | .....                | .....0                                       |
| 2.5 Commuted commissions.....   | .....                  | .....                | .....0                                       |
| 3. Total (Lines 2.1 to 2.5).....  | .....0                 | .....0               | .....0                                       |
| 4. Aggregate write-ins for other than invested assets.....              | .....0                 | .....0               | .....0                                       |
| 5. Total (Line 1 plus Lines 3 and 4).....                               | .....527,204           | .....8,073           | .....(519,131)                               |

**DETAILS OF WRITE-INS**

|   |        |        |        |
|---|--------|--------|--------|
| 0401. ....  | .....  | .....  | .....0 |
| 0402. ....  | .....  | .....  | .....0 |
| 0403. ....  | .....  | .....  | .....0 |
| 0498. Summary of remaining write-ins for Line 4 from overflow page..... | .....0 | .....0 | .....0 |
| 0499. Totals (Lines 0401 thru 0403 plus 0498) (Line 4 above).....       | .....0 | .....0 | .....0 |



EXHIBIT 2 - ENROLLMENT BY PRODUCT TYPE

| Source of Enrollment                                    | Total Members at End of |                       |                        |                       |                      | 6<br>Current Year<br>Member<br>Months |
|---|-------------------------|-----------------------|------------------------|-----------------------|----------------------|---------------------------------------|
|   | 1<br>Prior<br>Year      | 2<br>First<br>Quarter | 3<br>Second<br>Quarter | 4<br>Third<br>Quarter | 5<br>Current<br>Year |                                       |
| 1. Health maintenance organizations.....                | 60,401                  | 59,110                | 59,469                 | 58,688                | 57,353               | 699,844                               |
| 2. Provider service organizations.....                  |                         |                       |                        |                       |                      |                                       |
| 3. Preferred provider organizations.....                |                         |                       |                        |                       |                      |                                       |
| 4. Point of service.....                                |                         |                       |                        |                       |                      |                                       |
| 5. Indemnity only.....                                  |                         |                       |                        |                       |                      |                                       |
| 6. Aggregate write-ins for other lines of business..... | 0                       | 0                     | 0                      | 0                     | 0                    | 0                                     |
| 7. Total.....   | 60,401                  | 59,110                | 59,469                 | 58,688                | 57,353               | 699,844                               |

DETAILS OF WRITE-INS

|   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|
| 0601. ....  |   |   |   |   |   |   |
| 0602. ....  |   |   |   |   |   |   |
| 0603. ....  |   |   |   |   |   |   |
| 0698. Summary of remaining write-ins for Line 6 from overflow page..... | 0 | 0 | 0 | 0 | 0 | 0 |
| 0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above).....       | 0 | 0 | 0 | 0 | 0 | 0 |

NOTES TO FINANCIAL STATEMENTS

UNITED HEALTHCARE OF ARKANSAS, INC.

Notes to statutory financial statements

For the years ended December 31, 2002 and 2001

1 Significant accounting policies

Basis of presentation

United HealthCare of Arkansas, Inc. (the Company) prepares its financial statements on the basis of accounting practices prescribed or permitted by the Arkansas Insurance Department. These practices differ from accounting principles generally accepted in the United States of America as certain assets and health care receivables, are considered non-admitted assets for statutory purposes and are excluded from the statutory statements. The changes in non-admitted assets have been reflected in accumulated surplus in the accompanying statutory financial statements. Under accounting principles generally accepted in the United States of America, these assets would be included in the statements of admitted assets, liabilities and net worth. In addition, certain investments which would be shown at market value under accounting principles generally accepted in the United States of America are presented in the accompanying statutory statements of admitted assets, liabilities, and net worth at amortized cost and certain items that would be shown as cash equivalents under accounting principles generally accepted in the United States if America are included in short-term investments in the accompanying statutory statements of admitted assets, liabilities, and net worth.

Had the accompanying statutory financial statements been prepared in accordance with accounting principles generally accepted in the United States of America, the following would have been reported:

|                      | 2002         | 2001         |
|----------------------|--------------|--------------|
| Total current assets | \$ 6,362,404 | \$ 6,855,136 |
| Total assets         | \$45,565,683 | \$35,850,601 |
| Total net worth      | \$26,200,913 | \$18,419,306 |
| Net Income           | \$12,778,238 | \$ 5,998,748 |

The Arkansas Insurance Department recognizes only statutory accounting practices prescribed or permitted by the State of Arkansas for determining and reporting the financial condition and results of operations of a health maintenance organization (HMO), for determining its solvency under Arkansas Insurance Law. The National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures Manual* (NAIC SAP) has been adopted with modifications as a component of prescribed or permitted practices by the State of Arkansas. The modifications adopted by the State did not affect statutory net worth.

Use of estimates

The preparation of financial statements include some amounts that are based on the Company's estimates and judgements. The most significant estimates relate to medical services expenses and medical services payable. The Company adjusts these estimates as more current information becomes available, and any adjustment could have a significant impact on the Company's operating results. The impact of any changes in estimates is included in the determination of income in the period in which the change in estimate is identified.

Cash and cash equivalents

Cash and cash equivalents represent cash held by the Company in disbursement accounts and money market instruments with a maturity of three months or less at the time of purchase. Claims and other payments are made from the disbursement accounts daily. Cash overdrafts are a result of timing differences in funding disbursement accounts for claims payments.

Investments

Short-term investments primarily represents the Company's share of an investment pool sponsored and administered by United HealthCare Services, Inc. (UHS) for the benefit of the UHS owned health plans. The investment pool consists principally of investments with original maturities of less than one year with the average life of the individual investments being less than 60 days. The Company's share of the pool represents an undivided ownership interest in the pool and is immediately convertible to cash at no cost or penalty. The pool is primarily invested in governmental obligations, commercial paper, certificates of deposit and short-term agency notes and are recorded at cost, which approximates market value. Interest income from the pool accrues daily to participating members based upon ownership percentage. Other investments which mature within one year from date of purchase are classified as short-term and are stated at the lower of amortized cost or a NAIC determined market value if they meet an NAIC designation of three or higher. Investments are valued and reported in accordance with the NAIC *Valuations of Securities* manual prepared by the NAIC Securities Valuation Office (Valuations of Security manual).

The Company continually monitors the difference between the cost and estimated fair value of its investments. If any of the Company's investments experience a decline in value that the Company believes is other than temporary, the Company records a realized loss in Investment and Other Income in the Statutory Statement of Operations. No losses were incurred and recorded as of December 31, 2002 and 2001.

Investments which mature later than one year from the date of acquisition are classified as long-term. Investments consist principally of government obligations and commercial paper and are stated at amortized cost.

Medical services expenses and payables

Medical services expenses include claims paid, claims processed but not yet paid, estimates for claims received but not yet processed, and estimates for the costs of health care services enrollees have received, but for which claims have not yet been submitted.

The estimates for incurred but not yet reported claims are developed using actuarial methods based upon historical submission

**NOTES TO FINANCIAL STATEMENTS**

and payment data, cost trends, customer and product mix, seasonality, utilization of health care services, contracted service rates and other relevant factors. The estimates may change as actuarial methods change or as underlying facts upon which estimates are based change. The Company did not change actuarial methods during the years ended December 31, 2002 and 2001. Management believes the amount of medical services payable is adequate to cover the Company's liability for unpaid claims as of December 31, 2002; however actual claim payments may differ from those established estimates. Adjustments to medical services payable estimates are reflected in operating results in the period in which the change in estimate is identified.

**Premiums**

Member premium and government program revenues are recognized in the period in which enrollees are entitled to receive health care services. Premiums received prior to the period of service are recorded as unearned premiums in the accompanying statutory statements of admitted assets, liabilities, and net worth.

**Reinsurance ceded**

In the normal course of business, the company seeks to limit its exposure to loss on any single insured and to recover a portion of benefits paid by ceding reinsurance to other insurance enterprises or reinsurers under excess coverage and coinsurance contracts. Reinsurance premiums paid are deducted from premium revenue in the accompanying statutory financial statements.

**Premium Deficiency Reserve**

Premium deficiency reserves and the related expense are recognized when it is probable that expected future health care expenses, claim adjustment expenses and administrative costs under a group of existing contracts will exceed anticipated future premiums and reinsurance recoveries considered over the remaining lives of the contracts. The methods for making such estimates and for establishing the resulting reserves are periodically reviewed and updated, and any adjustments are reflected in operating results in the period in which the change in estimate is identified. No such reserve was determined necessary to be recorded as of December 31, 2002 and 2001.

**Vulnerability due to certain concentrations**

The Company is subject to substantial federal and state government regulation, including licensing and other requirements relating to the offering of the Company's existing products in new markets and offerings of new products, both of which may restrict the Company's ability to expand its business.

**2 Changes in accounting principles**

The Company prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the State of Arkansas. Effective January 1, 2001, the Arkansas Insurance Department required that insurance companies domiciled in the State of Arkansas prepare their statutory basis financial statements in accordance with the NAIC SAP, subject to any deviations prescribed or permitted by the State of Arkansas insurance commissioner.

Accounting changes adopted to conform to the provisions of the NAIC SAP are reported as changes in accounting principles. The cumulative effect of changes in accounting principles is reported as an adjustment to unassigned funds (surplus) in the period of the change in accounting principle. The cumulative effect is the difference between the amount of capital and surplus at the beginning of the year and the amount of capital and surplus that would have been reported at that date if the new accounting principles had been applied retroactively for all prior periods. As a result of these changes, the Company reported a change of accounting principle, as an adjustment that increased accumulated surplus, of approximately \$884,000 as of January 1, 2001. The total adjustment related to deferred tax assets.

**3 Business combinations and goodwill**

The Company was not party to a business combination during the years ended December 31, 2002 and 2001 and does not carry goodwill on its statements of admitted assets, liabilities and net worth.

**4 Discontinued operations**

The Company did not discontinue any operations during the years ended December 31, 2002 and 2001.

**5 Investments**

For purposes of calculating gross realized gains and losses on sales of investments, the amortized cost of each investment sold is used. The gross realized gains and losses on sales of investments totaled \$89,000 and \$471,000 for the year ended December 31, 2002 and \$76,000 and \$19,000 for the year ended December 31, 2001. The net realized gain or loss is included in investment and other revenue in the accompanying statutory statements of operations. The Company has no mortgage loans, restructured debt, reverse mortgages, or repurchase agreements.

As of December 31, 2002 and 2001, the amortized cost, fair value and gross unrealized holding gains and losses of the Company's short and long-term investments, excluding cash overdrafts of approximately \$2,670,000 and \$1,067,000, are as follows (in thousands):

|                               |                   | 2002                                 |                                       |            |
|-------------------------------|-------------------|--------------------------------------|---------------------------------------|------------|
|                               | Amortized<br>cost | Gross<br>unrealized<br>holding gains | Gross<br>unrealized<br>holding losses | Fair value |
| Commercial Paper              | \$ 3,374          | \$ -                                 | \$ -                                  | \$ 3,374   |
| U.S. government & agency      | 6,219             | 278                                  | (4)                                   | 6,493      |
| State & state agency          | 10,721            | 695                                  | (5)                                   | 11,411     |
| Municipalities & local agency | 9,468             | 652                                  | -                                     | 10,120     |
| Corporate bonds               | 10,620            | 793                                  | (18)                                  | 11,395     |

**NOTES TO FINANCIAL STATEMENTS**

|                   |           |          |          |           |
|-------------------|-----------|----------|----------|-----------|
| Total             | \$ 40,402 | \$ 2,418 | \$ (27 ) | \$ 42,793 |
| YEARS TO MATURITY |           |          |          |           |
| One year or less  | \$ 3,913  | \$ 4     | \$ -     | \$ 3,917  |
| One to five years | 9,601     | 730      | -        | 10,331    |
| Five to ten years | 16,829    | 1,210    | (1)      | 18,038    |
| Over ten years    | 10,059    | 474      | (26)     | 10,507    |
| Total             | \$ 40,402 | \$ 2,418 | \$ (27 ) | \$ 42,793 |

|                               |                |                                |                                 |            |
|-------------------------------|----------------|--------------------------------|---------------------------------|------------|
|                               |                |                                | 2001                            |            |
|                               | Amortized cost | Gross unrealized holding gains | Gross unrealized holding losses | Fair value |
| Commercial Paper              | \$ 4,860       | \$ -                           | \$ -                            | \$ 4,860   |
| U.S. government & agency      | 5,999          | 201                            | (1 )                            | 6,199      |
| State & state agency          | 5,348          | 192                            | (13)                            | 5,527      |
| Municipalities & local agency | 7,280          | 191                            | (76)                            | 7,395      |
| Corporate bonds               | 9,523          | 429                            | (79)                            | 9,873      |
| Total                         | \$ 33,010      | \$ 1,013                       | \$ (169 )                       | \$ 33,854  |

The fair values on the investments in the tables above are based upon market values provided by an external investment value provider. Included in the tables are mortgage-backed securities which do not have a single maturity date. These securities have been presented in the respective maturity groups based on the securities’ final maturity date and at a fair value of \$5,175,000. Prepayment assumptions for mortgage-backed securities were based on a three month constant prepayment rate history.

**6 Joint ventures, partnerships and limited liability companies**

The Company has no investments in joint ventures, partnerships or limited liability companies.

**7 Investment income**

The Company has admitted all investment income due and accrued in the statement of admitted assets, liabilities and net worth.

**8 Derivative instruments**

The Company has no derivative instruments.

**9 Income taxes**

The Company's operations are included in the consolidated federal income tax return of UnitedHealth Group Incorporated. Federal income taxes are paid to or refunded by UnitedHealth Group Incorporated pursuant to the terms of a tax-sharing agreement, approved by the Board of Directors, under which taxes approximate the amount that would have been computed on a separate company basis. Income taxes incurred in the current and prior years will be available for recoupment by the Company only in the event of future net losses of consolidated UnitedHealth Group Incorporated. The Company receives a benefit at the federal rate in the current year for net losses incurred in that year. Federal income taxes receivable of \$501,000 in 2002 and \$273,000 in 2001 are included in the accompanying statutory statements of admitted assets, liabilities, and net worth. Federal income taxes paid in 2002 and 2001 were \$6,488,000 and \$3,342,000.

The components of the net deferred tax asset (liability) at December 31 are as follows:

|   |            |              |
|---|------------|--------------|
|   | 2002       | 2001         |
| Deferred tax assets (admitted and non-admitted)   | \$ 368,000 | \$ 485,000   |
| Deferred tax liabilities                          | 193,000    | 68,000       |
| Deferred tax assets non-admitted, net             | -          | -            |
| Net deferred tax assets admitted                  | \$ 175,000 | \$ 417,000   |
| Decrease in deferred tax assets non-admitted, net | \$ -       | \$ (884,000) |

The components of income taxes are as follows:

|  |              |              |
|--|--------------|--------------|
|  | 2002         | 2001         |
| Current income tax provision               | \$ 6,261,000 | \$ 2,879,000 |
| Total current federal income tax provision | \$ 6,261,000 | \$ 2,879,000 |

**NOTES TO FINANCIAL STATEMENTS**

|   |                   |                   |
|---|-------------------|-------------------|
| Change in deferred tax assets           | 117,000           | 419,000           |
| Change in deferred tax liabilities      | 125,000           | 48,000            |
| Total change in net deferred income tax | <u>\$ 242,000</u> | <u>\$ 467,000</u> |

In 2002 the total change in net deferred income tax is recorded on the statutory statement of change in net worth according to SSAP No. 10, *Income Taxes* and further interpretations provided by Q&A 10 –*A Guide to Implementation of SSAP No. 10 on Accounting for Income Taxes: Questions and Answers*. In 2001 the total change in net deferred tax was included along with total current federal income tax provision as income tax provision on the statutory statement of operations.

The Company has no deferred tax liabilities that are not recognized.

The main components of the 2002 and 2001 deferred tax assets are as follows:

| Deferred tax assets resulting from book/tax differences in | 2002              | 2001              | Change              |
|--|-------------------|-------------------|---------------------|
| Medical reserves   | \$ 125,000        | \$ 121,000        | \$ 4,000            |
| Bad debt allowance   | 125,000           | 253,000           | (128,000)           |
| Unearned premium   | 114,000           | 111,000           | 3,000               |
| Other  | 4,000             | -                 | 4,000               |
| Total deferred tax assets                                  | <u>\$ 368,000</u> | <u>\$ 485,000</u> | <u>\$ (117,000)</u> |
| Deferred tax assets non-admitted                           | <u>\$ -</u>       | <u>\$ -</u>       | <u>\$ -</u>         |

The main components of the 2002 and 2001 deferred tax liabilities are as follows:

| Deferred tax liabilities resulting from book/tax differences in | 2002              | 2001             | Change            |
|---|-------------------|------------------|-------------------|
| Bonds   | \$ 16,000         | \$ 4,000         | \$ 12,000         |
| Accrued expenses and other                                      | 177,000           | 47,000           | 130,000           |
| Depreciation  | -                 | 17,000           | (17,000)          |
| Total deferred tax liabilities                                  | <u>\$ 193,000</u> | <u>\$ 68,000</u> | <u>\$ 125,000</u> |

The Company's income tax expense differs from the amount obtained by applying the federal statutory rate of 35% to income before income taxes for the following reasons:

|   | 2002                | 2001                |
|---|---------------------|---------------------|
| Tax provision at the federal statutory rate | \$ 6,748,000        | \$ 3,267,000        |
| Tax-exempt income                           | (233,000)           | (148,000)           |
| Other                                       | (12,000)            | 227,000             |
| Total statutory income taxes                | <u>\$ 6,503,000</u> | <u>\$ 3,346,000</u> |
| Provision for current income taxes          | \$ 6,261,000        | \$ 2,879,000        |
| Change in net deferred income tax           | 242,000             | 467,000             |
| Total statutory income taxes                | <u>\$ 6,503,000</u> | <u>\$ 3,346,000</u> |

Included in the 2001 provision amount is a \$230,000 change in estimate, which increased the current income tax provision and is included in other amounts, net of federal provision above.  
At December 31, 2002 and 2001, the Company had no net operating loss carryforwards.

**10 Information concerning parent, subsidiaries and affiliates**

The Company is a wholly owned subsidiary of UnitedHealthcare, Inc., which is a wholly owned subsidiary of UHS, a HMO management corporation which provides services to the Company under the terms of a management agreement. UHS is a wholly owned subsidiary of UnitedHealth Group Incorporated.

Pursuant to the terms of a management agreement, UHS will provide administrative and management services to the Company until terminated upon the written agreement of both parties, for a fee based primarily on a percentage of member premium and government program revenues. Management fees under this arrangement totaled approximately \$17,516,000 in 2002 and \$17,951,000 in 2001 are included in operating expenses in the accompanying statutory statements of operations. In addition, UHS pays, on the Company's behalf, certain selling, general and administrative expenses not covered within the scope of the management agreement. UHS is reimbursed for these expenses by the Company, which totaled approximately \$6,178,000 in 2002 and \$5,242,000 in 2001 and are included in operating expenses in the accompanying statutory statements of operations. Operations of the Company may not be indicative of those that would have incurred if it had operated as an independent company.

The Company has a reinsurance agreement with United HealthCare Insurance Company (UHIC), a wholly owned subsidiary of Unimerica, Inc., which is a wholly owned subsidiary of UHS, to provide for insolvency protection and member out-of-area conversion privileges, and to cover hospital inpatient claims in excess of certain limits. Reinsurance premiums, which are calculated on a per member per month basis, are approximately \$645,000 in 2002 and \$563,000 in 2001 and are deducted from premium revenue in the accompanying statutory statements of operations. Reinsurance recoveries of approximately \$1,772,000 in 2002 and \$347,000 in 2001 are reflected as a reduction of medical services expenses in the accompanying statutory statements of operations. Reinsurance contracts do not relieve the Company from its obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to the Company.

The Company has a contract with United Behavioral Health, a wholly owned subsidiary of UHS, to provide mental health and substance abuse services for its enrollees. Fees related to this agreement, which are calculated on a per member per month basis, are approximately \$2,477,000 in 2002 and \$1,976,000 in 2001 and are included in medical services expenses in the accompanying statutory statements of operations.

**NOTES TO FINANCIAL STATEMENTS**

The Company has an agreement with UHS to provide administrative services related to pharmacy management and claims processing for its enrollees. Fees related to these agreements, which are calculated on a per claim basis, are approximately \$135,000 in 2002 and \$118,000 in 2001 and are included in operating expenses in the accompanying statutory statements of operations. Additionally, UHS collects rebates on certain pharmaceutical products and remits the rebates to the Company based on the Company's member utilization. Rebates that relate to this agreement of approximately \$1,627,000 in 2002, and \$1,166,000 in 2001, are included as a reduction of medical service expenses in the accompanying statutory statements of operations.

The Company has an agreement with OPTUM, a division of UHS, to provide Care24, a 24-hour call-in service and employee assistance line, to its enrollees. Fees related to this agreement, which are calculated on a per member per month basis are approximately \$700,000 in 2002 and \$654,000 in 2001 and are included in medical services expenses in the accompanying statutory statements of operations.

The Company contracts with United Resource Network, a division of UHS, to provide access to a network of transplant providers for its enrollees. Fees related to this agreement, which are calculated on a per member per month basis, are approximately \$95,000 in 2002 and \$46,000 in 2001 and are included in medical services expenses in the accompanying statutory statements of operations.

Beginning November 1, 2001, the Company has a contract with Coordinated Vision Care, a division of UHS, to provide administrative services related to vision benefit management and claims processing for its enrollees. Fees related to this agreement, which are calculated on a per member per month basis, are approximately \$73,000 in 2002 and \$9,000 in 2001, and are included in medical services expenses in the accompanying statutory statements of operations.

Beginning September 1, 2002, the Company has a contract with ACN Group, Inc., a wholly owned subsidiary of UHS, to provide chiropractic and physical therapy services for its enrollees. Fees related to this agreement, which are calculated on a per member per month basis, are approximately \$16,000 in 2002 and are included in medical services expenses in the accompanying statutory statements of operations.

The Company paid an extraordinary dividend of approximately \$6,000,000 to UHC during 2002, which was subject to prior approval by the Arkansas Insurance Department.

**11 Debt**

The Company had no outstanding debt during 2002 and 2001.

**12 Retirement plans, deferred compensation and other postretirement benefit plans**

The Company has no retirement plan, deferred compensation and other benefit plans, since all personnel are employees of UHS, which provides services to the Company under the terms of a management agreement (see Note 10).

**13 Capital and surplus, shareholders' dividend restrictions and quasi-reorganizations**

The Company has 2,000 shares authorized and 2,000 shares issued and outstanding of \$50 par value common stock. The Company has no preferred stock outstanding.

Payment of dividends may be restricted by the Arkansas Insurance Department and Arkansas law which generally requires that dividends be paid out of accumulated surplus.

The portion of unassigned funds (surplus) represented or reduced by each item below is as follows:

|                           | <u>2002</u> <u>0</u> | <u>2001</u> <u>0</u> |
|---------------------------|----------------------|----------------------|
| Non-admitted asset values | \$527,000            | \$8,000              |

The Company does not have any outstanding surplus notes.

**14 Contingencies**

The Company is involved in legal actions which arise in the ordinary course of its business. Although the outcomes of any such legal actions cannot be predicted, in the opinion of management, the resolution of any currently pending or threatened actions will not have a material adverse effect upon the financial position or results of operations of the Company.

**15 Leases**

According to the management agreement (see Note 10) between the Company and UHS, operating leases for the rental of office facilities and equipment are the responsibility of UHS.

**16 Financial instruments with off-balance sheet risk or concentrations of credit risk**

The Company does not hold any financial instruments with off-balance sheet risk or concentrations of credit risk.

**17 Sale, transfer and servicing of financial assets and extinguishments of liabilities**

The Company did not participate in any transfer of receivables, financial assets or wash sales.

**18 Gain or loss to the HMO from uninsured accident & health plans and the uninsured portion of partially insured plans**

The Company had no gain or loss from uninsured or partially insured accident and health plans.

**19 Direct premium written/produced by managing general agents/third party administrators**

The Company did not have any direct premiums written or produced by managing general agents or third party administrators.

**NOTES TO FINANCIAL STATEMENTS**

**20 Other items**

The Company elected to use rounding in reporting amounts in the statement.

The events of September 11, 2001 and their aftermath did not have a material financial impact on the Company's operations. The Company will continue to monitor the potential impact of these events on its business.

**21 Subsequent events**

There are no events subsequent to December 31, 2002 that require disclosure.

**22 Reinsurance**

**Unsecured reinsurance recoverables**

The Company does not have an unsecured aggregate reinsurance recovery receivable with any individual reinsurers, authorized or unauthorized, that exceeds 3% of the Company's policyholder surplus.

**Reinsurance recoverable in dispute**

The Company does not have a reinsurance recoverable balance that is being disputed by any individual reinsurer.

**Reinsurance assumed and ceded**

The Company does not have a provision in their reinsurance contract to return commission to the reinsurer in the event that the Company cancels their reinsurance policy.

**Uncollectible reinsurance**

During 2002 and 2001, there were no uncollectible reinsurance recoverables.

**Commutation of reinsurance**

The Company has a reinsurance agreement with UHIC, a wholly owned subsidiary of Unimerica, Inc., which is a wholly owned subsidiary of UHS. There was no commutation of reinsurance in 2002 or 2001.

**Retroactive reinsurance**

The Company did not have a retroactive reinsurance agreement in 2002 or 2001.

**23 Retrospectively rated contracts**

The Company did not have any retrospectively rated contracts in 2002 or 2001.

**24 Salvage and subrogation**

Due to the type of business being written with this license, the Company has no salvage. As of December 31, 2002 and 2001 the company had no specific accruals established for outstanding subrogation, as it is considered as a component of the actuarial calculation used to develop the estimates of medical services payable.

**25 Change in incurred claims**

Changes in estimates related to prior years' incurred claims are included in medical services expenses in the current year in the accompanying statutory statements of operations.

The following tables disclose paid claims, incurred claims and the balance in the unpaid claim reserve for the years ended December 31, 2002 and 2001 (in thousands):

| 2002                            | Current year<br>incurred claims | Prior years'<br>incurred claims | Total       |
|---------------------------------|---------------------------------|---------------------------------|-------------|
| Beginning of year claim reserve | \$ -                            | \$ (12,719)                     | \$ (12,719) |
| Paid claims                     | 90,988                          | 9,302                           | 100,290     |
| End of year claim reserve       | 12,865                          | (378)                           | 12,487      |
| Incurred claims                 | \$ 103,853                      | \$ (3,795)                      | \$ 100,058  |
| 2001                            | Current year<br>incurred claims | Prior years'<br>incurred claims | Total       |

**NOTES TO FINANCIAL STATEMENTS**

|                                 |            |             |             |
|---------------------------------|------------|-------------|-------------|
| Beginning of year claim reserve | \$ -       | \$ (11,679) | \$ (11,679) |
| Paid claims                     | 109,585    | 7,653       | 117,238     |
| End of year claim reserve       | 12,499     | 220         | 12,719      |
| Incurring claims                | \$ 122,084 | \$ (3,806)  | \$ 118,278  |

In the tables above the total end of year reserve for 2001 does not equal the beginning of year claim reserve related to prior years' incurred claims in 2002 as the Company received clarification from the NAIC during 2002 as to the components and presentation of the claim reserve rollforward. Based upon the NAIC clarification, the beginning and end of year claim reserves in 2002 are shown net of health care receivables. In 2001 incurred claims are shown net of the effect of health care receivables.

The Company incurred claims adjustment expenses of approximately \$4,656,000 in 2002 and \$3,752,000 in 2001. These costs are included in the management service fees paid by the Company to UHS as a part of its management agreement. It is the responsibility of UHS to pay claims adjustment expenses in the event that the Company ceases operations.

**26 Organization and operation**

The Company, a for-profit HMO offers its enrollees a variety of managed care programs and products through contractual arrangements with health care providers. The Company has entered into contracts with physicians, hospitals and other health care providers pursuant to which such providers deliver medical care to its enrollees primarily on a modified fee-for-service basis. The Company was incorporated on September 27, 1990 and in December 1991 received its certificate of authority to operate as an HMO in the state of Arkansas. The Company is licensed to operate in various Arkansas counties.

Effective January 1, 2002, the Company exited 3 counties, in which it offered its Medicare product. The projected revenues associated with these counties for the year ended December 31, 2002 is \$36,442,000.

**27 Minimum net worth**

Risk-based capital (RBC) is a regulatory method of measuring the minimum amount of capital appropriate for a managed care organization to support its overall business operations in consideration of its size and risk profile. The Company was required by the State of Arkansas Insurance Department to have a minimum of \$8,595,000 of capital by December 31, 2002 in accordance with NAIC Model Act Formula for calculating RBC requirements. The Company has \$24,121,000 of RBC which is in compliance with the required amount as of December 31, 2002.

The Company is required by Arkansas regulations to maintain \$300,000 in minimum cash reserves. These restricted cash reserves consist primarily of treasury notes and are stated at amortized cost. These reserves are included in long-term investments in the accompanying statements of admitted assets, liabilities, and net worth as they are not available for working capital purposes. Interest earned on these reserves accrues to the Company.



SUMMARY INVESTMENT SCHEDULE

| Investment Categories  | Gross Investment Holdings |                 | Admitted Assets as Reported in the Annual Statement |                 |
|--|---------------------------|-----------------|---|-----------------|
|  | 1<br>Amount               | 2<br>Percentage | 3<br>Amount   | 4<br>Percentage |
| 1. Bonds:  |                           |                 |   |                 |
| 1.1 U.S. treasury securities.....  | 327,684                   | 0.9             | 327,684   | 0.9             |
| 1.2 U.S. government agency and corporate obligations (excluding mortgage-backed securities):                     |                           |                 |   |                 |
| 1.21 Issued by U.S. government agencies.....   |                           | 0.0             |   | 0.0             |
| 1.22 Issued by U.S. government sponsored agencies.....   |                           | 0.0             |   | 0.0             |
| 1.3 Foreign government (including Canada, excluding mortgage-backed securities).....                             |                           | 0.0             |   | 0.0             |
| 1.4 Securities issued by states, territories and possessions and political subdivisions in the U.S.:             |                           |                 |   |                 |
| 1.41 States, territories and possessions general obligations.....  | 4,096,240                 | 10.9            | 4,096,240   | 10.9            |
| 1.42 Political subdivisions of states, territories & possessions & political subdivisions general obligations..  | 4,224,985                 | 11.2            | 4,224,985   | 11.2            |
| 1.43 Revenue and assessment obligations.....   | 11,868,035                | 31.5            | 11,868,035  | 31.5            |
| 1.44 Industrial development and similar obligations.....   |                           | 0.0             |   | 0.0             |
| 1.5 Mortgage-backed securities (includes residential and commercial MBS):  |                           |                 |   |                 |
| 1.51 Pass-through securities:  |                           |                 |   |                 |
| 1.511 Guaranteed by GNMA.....  | 754,071                   | 2.0             | 754,071   | 2.0             |
| 1.512 Issued by FNMA and FHLMC.....  | 4,160,269                 | 11.0            | 4,160,269   | 11.0            |
| 1.513 Privately issued.....  |                           | 0.0             |   | 0.0             |
| 1.52 CMOs and REMICs:  |                           |                 |   |                 |
| 1.521 Issued by FNMA and FHLMC.....  | 719,249                   | 1.9             | 977,074   | 2.6             |
| 1.522 Privately issued and collateralized by MBS issued or guaranteed by GNMA, FNMA or FHLMC.....                | 257,825                   | 0.7             | 316,829   | 0.8             |
| 1.523 All other privately issued.....  | 129,920                   | 0.3             |   | 0.0             |
| 2. Other debt and other fixed income securities (excluding short-term):  |                           |                 |   |                 |
| 2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO).....                        | 10,490,316                | 27.8            | 10,303,407  | 27.3            |
| 2.2 Unaffiliated foreign securities.....   |                           | 0.0             |   | 0.0             |
| 2.3 Affiliated securities.....   |                           | 0.0             |   | 0.0             |
| 3. Equity interests:   |                           |                 |   |                 |
| 3.1 Investments in mutual funds.....   |                           | 0.0             |   | 0.0             |
| 3.2 Preferred stocks:  |                           |                 |   |                 |
| 3.21 Affiliated.....   |                           | 0.0             |   | 0.0             |
| 3.22 Unaffiliated.....   |                           | 0.0             |   | 0.0             |
| 3.3 Publicly traded equity securities (excluding preferred stocks):  |                           |                 |   |                 |
| 3.31 Affiliated.....   |                           | 0.0             |   | 0.0             |
| 3.32 Unaffiliated.....   |                           | 0.0             |   | 0.0             |
| 3.4 Other equity securities:   |                           |                 |   |                 |
| 3.41 Affiliated.....   |                           | 0.0             |   | 0.0             |
| 3.42 Unaffiliated.....   |                           | 0.0             |   | 0.0             |
| 3.5 Other equity interests including tangible personal property under lease:                                     |                           |                 |   |                 |
| 3.51 Affiliated.....   |                           | 0.0             |   | 0.0             |
| 3.52 Unaffiliated.....   |                           | 0.0             |   | 0.0             |
| 4. Mortgage loans:   |                           |                 |   |                 |
| 4.1 Construction and land development.....   |                           | 0.0             |   | 0.0             |
| 4.2 Agricultural.....  |                           | 0.0             |   | 0.0             |
| 4.3 Single family residential properties.....  |                           | 0.0             |   | 0.0             |
| 4.4 Multifamily residential properties.....  |                           | 0.0             |   | 0.0             |
| 4.5 Commercial loans.....  |                           | 0.0             |   | 0.0             |
| 5. Real estate investments:  |                           |                 |   |                 |
| 5.1 Property occupied by company.....  |                           | 0.0             |   | 0.0             |
| 5.2 Property held for production of income (includes \$.....0 of property acquired in satisfaction of debt)..... |                           | 0.0             |   | 0.0             |
| 5.3 Property held for sale (\$.....0 including property acquired in satisfaction of debt).....                   |                           | 0.0             |   | 0.0             |
| 6. Policy loans.....   |                           | 0.0             |   | 0.0             |
| 7. Receivables for securities.....   | 705                       | 0.0             | 705   | 0.0             |
| 8. Cash and short-term investments.....  | 703,815                   | 1.9             | 703,815   | 1.9             |
| 9. Other invested assets.....  |                           | 0.0             |   | 0.0             |
| 10. Total invested assets.....   | 37,733,114                | 100.0           | 37,733,114  | 100.0           |

**GENERAL INTERROGATORIES**  
**PART 1 - COMMON INTERROGATORIES**  
**GENERAL**

1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes ☒ No ☐

1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes ☐ No ☐ N/A ☒

1.3

State regulating?

N/A

2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes ☐ No ☒

2.2

If yes, date of change:  
If not previously filed, furnish herewith a certified copy of the instrument as amended.

3.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/1999

3.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/1999

3.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

06/07/2001

3.4

By what department or departments?

Arkansas Insurance Department

4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under a common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11

sales of new business?

Yes ☐ No ☒

4.12

renewals?

Yes ☐ No ☒

4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21

sales of new business?

Yes ☐ No ☒

4.22

renewals?

Yes ☐ No ☒

5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes ☐ No ☒

5.2

If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

|                     |                        |                        |
|---------------------|------------------------|------------------------|
| 1<br>Name of Entity | 2<br>NAIC Company Code | 3<br>State of Domicile |
|                     |                        |                        |

6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action, either formal or informal, if a confidentiality clause is part of the agreement.)

Yes ☐ No ☒

6.2

If yes, give full information:

7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes ☐ No ☒

7.2

If yes,

7.21

State the percentage of foreign control.

.....0.000 %

7.22

State the nationality(ies) of the foreign person(s) or entity(ies); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(ies) (e.g., individual, corporation, government, manager or attorney-in-fact)

|                  |                     |
|------------------|---------------------|
| 1<br>Nationality | 2<br>Type of Entity |
|                  |                     |

**GENERAL INTERROGATORIES (continued)**

8.

What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
Deloitte & Touche, LLP, Minneapolis, MN
9.

What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with a(n) actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?  
Thomas Burton, Senior Vice President and Chief Actuary of United HealthCare Insurance Company, an affiliate of United HealthCare of Arkansas, Inc., Hartford, CN
10.

FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 10.1

What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
- 10.2

Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes [ ☐ ]

No [ ☐ ]
- 10.3

Have there been any changes made to any of the trust indentures during the year?

Yes [ ☐ ]

No [ ☐ ]
- 10.4

If answer to (10.3) is yes, has the domiciliary or entry state approved the changes?

Yes [ ☐ ]

No [ ☐ ]

N/A [ ☐ ]

**BOARD OF DIRECTORS**

11.

Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof?

Yes [ X ]

No [ ☐ ]
12.

Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof?

Yes [ X ]

No [ ☐ ]
13.

Has the reporting entity an established procedure for disclosure to its Board of Directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees which is in or is likely to conflict with the official duties of such person?

Yes [ X ]

No [ ☐ ]

**FINANCIAL**

- 14.1

Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

14.11

To directors or other officers

\$.....0

14.12

To stockholders not officers

\$.....0

14.13

Trustees, supreme or grand (Fraternal only)

\$.....0
- 14.2

Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):

14.21

To directors or other officers

\$.....0

14.22

To stockholders not officers

\$.....0

14.23

Trustees, supreme or grand (Fraternal only)

\$.....0
- 15.1

Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?

Yes [ ☐ ]

No [ X ]
- 15.2

If yes, state the amount thereof at December 31 of the current year:

15.21

Rented from others

\$.....0

15.22

Borrowed from others

\$.....0

15.23

Leased from others

\$.....0

15.24

Other

\$.....0

Disclose in the Notes to Financial the nature of each obligation.
- 16.1

Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?

Yes [ ☐ ]

No [ X ]
- 16.2

If answer is yes:

16.21

Amount paid as losses or risk adjustment

\$.....0

16.22

Amount paid as expenses

\$.....0

16.23

Other amounts paid

\$.....0

GENERAL INTERROGATORIES (continued)

INVESTMENT

17. List the following capital stock information for the reporting entity:

| Class          | 1<br>Number of Shares<br>Authorized | 2<br>Number of Shares<br>Outstanding | 3<br>Par Value<br>Per Share | 4<br>Redemption Price<br>If Callable | 5<br>Is Dividend<br>Rate Limited? | 6<br>Are Dividends<br>Cumulative? |
|----------------|-------------------------------------|--------------------------------------|-----------------------------|--------------------------------------|-----------------------------------|-----------------------------------|
| Preferred..... | .....                               | .....                                | .....                       | .....                                | ..Yes [ ].....No [ ].....         | ..Yes [ ].....No [ ].....         |
| Common.....    | .....2,000.000                      | .....2,000.000                       | ......50.00                 | .....XXX.....                        | .....XXX.....XXX.....             | .....XXX.....XXX.....             |

18.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E-Part 2-Special Deposits? Yes [ X ] No [ ]

18.2 If no, give full and complete information relating thereto.

19.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on Schedule E-Part 2-Special Deposits, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 15.1) Yes [ ] No [ X ]

19.2 If yes, state the amount thereof at December 31 of the current year:

|       |  |          |
|-------|--|----------|
| 19.21 | Loaned to others                                 | \$.....0 |
| 19.22 | Subject to repurchase agreements                 | \$.....0 |
| 19.23 | Subject to reverse repurchase agreements         | \$.....0 |
| 19.24 | Subject to dollar repurchase agreements          | \$.....0 |
| 19.25 | Subject to reverse dollar repurchase agreements  | \$.....0 |
| 19.26 | Pledged as collateral                            | \$.....0 |
| 19.27 | Placed under option agreements                   | \$.....0 |
| 19.28 | Letter stock or securities restricted as to sale | \$.....0 |
| 19.29 | Other  | \$.....0 |

19.3 For each category above, if any of these assets are held by others, identify by whom held:

|       |       |
|-------|-------|
| 19.31 | ..... |
| 19.32 | ..... |
| 19.33 | ..... |
| 19.34 | ..... |
| 19.35 | ..... |
| 19.36 | ..... |
| 19.37 | ..... |
| 19.38 | ..... |
| 19.39 | ..... |

For categories (19.21) and (19.23) above, and for any securities that were made available for use by another person during the period covered by this statement, attach a schedule as shown in the instructions to the annual statement.

19.4 For category (19.28) provide the following:

| 1<br>Nature of Restriction | 2<br>Description | 3<br>Amount |
|----------------------------|------------------|-------------|
|                            |                  |             |

20.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [ ] No [ X ]

20.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [ ] No [ ] N/A [ X ]  
If no, attach a description with this statement.

21.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [ ] No [ X ]

21.2 If yes, state the amount thereof at December 31 of the current year: \$.....0

22. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1-General, Section IV.H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [ X ] No [ ]

22.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

| 1<br>Name of Custodian(s) | 2<br>Custodian's Address                               |
|---------------------------|--|
| Bank of America           | 200 W. Capitol Ave. FL 6, Little Rock, AR              |
| State Street Bank         | 801 Pennsylvania Ave, 4th Floor, Kansas City, MO 64105 |

**GENERAL INTERROGATORIES (continued)**

**INVESTMENT**

22.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

| 1<br>Name(s) | 2<br>Location(s) | 3<br>Complete Explanation(s) |
|--------------|------------------|------------------------------|
|              |                  |                              |

22.03 Have there been any changes, including name changes, in the custodian(s) identified in 22.01 during the current year? Yes [ ☐ ] No [ ☒ ]

22.04 If yes, give full and complete information relating thereto:

| 1<br>Old Custodian | 2<br>New Custodian | 3<br>Date of Change | 4<br>Reason |
|--------------------|--------------------|---------------------|-------------|
|                    |                    |                     |             |

22.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

| 1<br>Central Registration Depository Number(s) | 2<br>Name     | 3<br>Address   |
|--|---------------|--|
| 17454  | Mellon Bank   | 1 Mellon Ctr., Rm 151-0475, Pittsburgh, PA 15258-0001    |
| 2525   | Deutsche Bank | 222 South Riverside Plaza, 30th Floor, Chicago, IL 60606 |

**OTHER**

23.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? \$.0

23.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

| 1<br>Name | 2<br>Amount Paid |
|-----------|------------------|
|           |                  |

24.1 Amount of payments for legal expenses, if any? \$.0

24.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

| 1<br>Name | 2<br>Amount Paid |
|-----------|------------------|
|           |                  |

25.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$.0

25.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

| 1<br>Name | 2<br>Amount Paid |
|-----------|------------------|
|           |                  |

GENERAL INTERROGATORIES (continued)

PART 2 - HEALTH INTERROGATORIES

1.1

Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes [ ☐ ]

No [ ☒ X ]

1.2

If yes, indicate premium earned on U.S. business only

\$.....0

1.3

What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$.....0

1.31Reason for excluding

1.4

Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.

\$.....0

1.5

Indicate total incurred claims on all Medicare Supplement insurance.

\$.....0

1.6

Individual policies:

Most current three years:

1.61Total premium earned

\$.....0

1.62Total incurred claims

\$.....0

1.63Number of covered lives

.....0

All years prior to most current three years:

1.64Total premium earned

\$.....0

1.65Total incurred claims

\$.....0

1.66Number of covered lives

.....0

1.7

Group policies:

Most current three years:

1.71Total premium earned

\$.....0

1.72Total incurred claims

\$.....0

1.73Number of covered lives

.....0

All years prior to most current three years:

1.74Total premium earned

\$.....0

1.75Total incurred claims

\$.....0

1.76Number of covered lives

.....0

2.1

Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?

Yes [ ☐ ]

No [ ☒ X ]

2.2

If yes, give particulars:

3.1

Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and departments been filed with the appropriate regulatory agency?

Yes [ ☒ X ]

No [ ☐ ]

3.2

If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?

Yes [ ☐ ]

No [ ☒ X ]

4.1

Does the reporting entity have stop-loss reinsurance?

Yes [ ☒ X ]

No [ ☐ ]

4.2

If no, explain:

4.3

Maximum retained risk (see instructions):

4.31

Comprehensive medical

\$.....270,000

4.32

Medical only

\$.....0

4.33

Medicare supplement

\$.....0

4.34

Dental

\$.....0

4.35

Other limited benefit plan

\$.....0

4.36

Other

\$.....0

5.

Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:

Hold harmless clauses in provider agreements and continuation of coverage endorsements in reinsurance agreement.

6.1

Does the reporting entity set up its claim liability for provider services on a service data base?

Yes [ ☒ X ]

No [ ☐ ]

6.2

If no, give details:

7.

Provide the following information regarding participating providers:

7.1

Number of providers at start of reporting year

.....2,809

7.2

Number of providers at end of reporting year

.....2,744

8.1

Does the reporting entity have business subject to premium rate guarantees?

Yes [ ☐ ]

No [ ☒ X ]

8.2

If yes, direct premium earned:

8.21Business with the rate guarantees between 15-36 months

\$.....0

8.22Business with rate guarantees over 36 months

\$.....0

9.1

Does the reporting entity have Bonus/withhold arrangements in its provider contracts?

Yes [ ☐ ]

No [ ☒ X ]

9.2

If yes:

9.21Maximum amount payable bonuses

\$.....0

9.22Amount actually paid for year bonuses

\$.....0

9.23Maximum amount payable withholds

\$.....0

9.24Amount actually paid for year withholds

\$.....0

10.

List service areas in which reporting entity is licensed to operate:

|                      |
|----------------------|
| 1                    |
| Name of Service Area |
| Arkansas             |
| Ashley               |
| Benton               |
| Bradley              |
| Chicot               |
| Cleburne             |
| Cleveland            |
| Columbia             |
| Conway               |
| Craighead            |

GENERAL INTERROGATORIES (continued)

PART 2 - HEALTH INTERROGATORIES

|              |
|--------------|
| Crawford     |
| Crittenden   |
| Corss        |
| Desha        |
| Drew         |
| Faulkner     |
| Franklin     |
| Garland      |
| Grant        |
| Hempstead    |
| Howard       |
| Hot Springs  |
| Jefferson    |
| Lincoln      |
| Little River |
| Logan        |
| Lonoke       |
| Madison      |
| Miller       |
| Montgomery   |
| Ouachita     |
| Perry        |
| Pike         |
| Polk         |
| Pope         |
| Prairie      |
| Pulaski      |
| Saline       |
| Scott        |
| Sebastian    |
| Sevier       |
| Washington   |
| White        |
| Woodruff     |

FIVE-YEAR HISTORICAL DATA

|   | 1<br>2002   | 2<br>2001   | 3<br>2000   | 4<br>1999   | 5<br>1998   |
|---|-------------|-------------|-------------|-------------|-------------|
| <b>Balance Sheet Items (Pages 2 and 3)</b>  |             |             |             |             |             |
| 1. Total admitted assets (Page 2, Line 23).....   | 39,474,691  | 33,600,372  | 27,395,830  | 24,944,117  | 24,241,524  |
| 2. Total liabilities (Page 3, Line 18).....   | 15,353,577  | 15,738,365  | 16,997,234  | 16,619,333  | 21,016,162  |
| 3. Statutory surplus.....   | 18,550,160  | 12,291,053  | 4,827,642   | 2,803,830   | 1,654,408   |
| 4. Total capital and surplus (Page 3, Line 26).....   | 24,121,114  | 17,862,007  | 10,398,596  | 8,374,784   | 3,225,362   |
| <b>Income Statement Items (Page 4)</b>  |             |             |             |             |             |
| 5. Total revenues (Line 7).....   | 145,344,661 | 149,029,844 | 120,333,928 | 100,534,647 | 80,575,736  |
| 6. Total medical and hospital expenses (Line 17).....                                       | 100,058,204 | 116,982,592 | 100,507,441 | 83,599,513  | 71,268,572  |
| 7. Total administrative expenses (Line 19).....   | 23,138,585  | 21,162,434  | 14,014,648  | 15,168,271  | 11,556,942  |
| 8. Net underwriting gain (loss) (Line 22).....  | 17,491,400  | 7,487,071   | 1,466,423   | 707,557     | (2,898,457) |
| 9. Net investment gain (loss) (Line 25).....  | 1,608,956   | 1,846,762   | 1,559,881   | 1,059,306   | 648,679     |
| 10. Total other income (Lines 26 plus 27).....  | 180,941     | 760         | 326,310     | 485,391     | 977,156     |
| 11. Net income or (loss) (Line 30).....   | 13,020,297  | 9,334,593   | 3,352,614   | 1,766,863   | (2,249,778) |
| <b>Risk-Based Capital Analysis</b>  |             |             |             |             |             |
| 12. Total adjusted capital.....   | 24,121,114  | 17,862,007  | 10,398,596  | 8,374,784   | 3,225,362   |
| 13. Authorized control level risk-based capital.....  | 4,297,282   | 4,815,923   | 3,742,076   | 3,453,828   | 2,369,428   |
| <b>Enrollment (Exhibit 2)</b>   |             |             |             |             |             |
| 14. Total members at end of period (Column 5, Line 7).....                                  | 57,353      | 60,401      | 55,715      | 53,284      | 52,295      |
| 15. Total member months (Column 6, Line 7).....   | 699,844     | 699,678     | 649,116     | 623,284     | 574,200     |
| <b>Operating Percentage (Page 4)<br/>(Item divided by Page 4, sum of Lines 2, 3, and 5)</b> |             |             |             |             |             |
| 16. Premiums earned (Lines 2 plus 3).....   | 100.0       | 100.0       | 100.0       | 100.0       | 100.0       |
| 17. Total medical and hospital (Line 17).....   | 68.8        | 78.5        | 84.3        | 84.5        | 90.3        |
| 18. Total underwriting deductions (Line 21).....  | 87.8        | 95.0        | 99.7        | 99.9        | 105.2       |
| 19. Total underwriting gain (loss) (Line 22).....   | 12.2        | 5.0         | 1.2         | 0.7         | (3.7)       |
| <b>Unpaid Claims Analysis (U&amp;I Exhibit, Part 2B)</b>                                    |             |             |             |             |             |
| 20. Total claims incurred for prior years (Line 11, Col. 5).....                            | 8,924,352   | 7,872,893   | 9,250,356   | 12,158,305  | 7,517,485   |
| 21. Estimated liability of unpaid claims - prior year (Line 11, Col. 6)                     | 12,718,862  | 11,679,386  | 12,059,291  | 15,065,259  | 5,964,967   |



FIVE-YEAR HISTORICAL DATA (Continued)

|   | 1<br>2002 | 2<br>2001 | 3<br>2000 | 4<br>1999 | 5<br>1998 |
|---|-----------|-----------|-----------|-----------|-----------|
| Investments in Parent, Subsidiaries and Affiliates  |           |           |           |           |           |
| 22. Affiliated bonds (Sch. D Summary, Line 25, Col. 1).....   |           |           |           |           |           |
| 23. Affiliated preferred stocks (Sch D. Summary, Line 39, Col. 1).....                                |           |           |           |           |           |
| 24. Affiliated common stocks (Sch D. Summary, Line 53, Col. 2).....                                   |           |           |           |           |           |
| 25. Affiliated short-term investments (subtotal included in Sch. DA,<br>Part 2, Col. 5, Line 11)..... |           |           |           |           |           |
| 26. Affiliated mortgage loans on real estate.....   |           |           |           |           |           |
| 27. All other affiliated.....   |           |           |           |           |           |
| 28. Total of above Lines 22 to 27.....  | 0         | 0         | 0         | 0         | 0         |

NONE

**SCHEDULE D - SUMMARY BY COUNTRY**  
Long-Term Bonds and Stocks OWNED December 31 of Current Year

| Description  |  | 1<br>Book/Adjusted<br>Carrying Value | 2<br>Fair Value<br>(a) | 3<br>Actual Cost | 4<br>Par Value<br>of Bonds |
|--|--|--------------------------------------|------------------------|------------------|----------------------------|
| <b>BONDS</b><br>Governments<br>(Including all obligations guaranteed<br>by governments)  | 1. United States.....                  | 1,081,755                            | 1,084,047              | 1,087,122        | 1,076,641                  |
|  | 2. Canada.....                         |                                      |                        |                  |                            |
|  | 3. Other Countries.....                |                                      |                        |                  |                            |
|  | 4. Totals.....                         | 1,081,755                            | 1,084,047              | 1,087,122        | 1,076,641                  |
| States, Territories and Possessions<br>(Direct and guaranteed)   | 5. United States.....                  | 3,926,150                            | 3,960,601              | 3,954,214        | 3,900,000                  |
|  | 6. Canada.....                         |                                      |                        |                  |                            |
|  | 7. Other Countries.....                |                                      |                        |                  |                            |
|  | 8. Totals.....                         | 3,926,150                            | 3,960,601              | 3,954,214        | 3,900,000                  |
| Political Subdivisions of States,<br>Territories and Possessions<br>(Direct and guaranteed)  | 9. United States.....                  | 4,755,164                            | 4,755,164              | 4,809,788        | 4,500,000                  |
|  | 10. Canada.....                        |                                      |                        |                  |                            |
|  | 11. Other Countries.....               |                                      |                        |                  |                            |
|  | 12. Totals.....                        | 4,755,164                            | 4,755,164              | 4,809,788        | 4,500,000                  |
| Special Revenue and Special Assessment<br>Obligations and all Non-guaranteed Obligations<br>of Agencies and Authorities of Governments<br>and their Political Subdivisions | 13. United States.....                 | 16,645,288                           | 16,757,802             | 16,745,674       | 15,921,004                 |
|  | 14. Canada.....                        |                                      |                        |                  |                            |
|  | 15. Other Countries.....               |                                      |                        |                  |                            |
|  | 16. Totals.....                        | 16,645,288                           | 16,757,802             | 16,745,674       | 15,921,004                 |
| Public Utilities<br>(unaffiliated)   | 17. United States.....                 |                                      |                        |                  |                            |
|  | 18. Canada.....                        |                                      |                        |                  |                            |
|  | 19. Other Countries.....               |                                      |                        |                  |                            |
|  | 20. Totals.....                        | 0                                    | 0                      | 0                | 0                          |
| Industrial and Miscellaneous and<br>Credit Tenant Loans<br>(Unaffiliated)  | 21. United States.....                 | 10,620,236                           | 11,194,424             | 10,583,042       | 10,634,614                 |
|  | 22. Canada.....                        |                                      |                        |                  |                            |
|  | 23. Other Countries.....               |                                      |                        |                  |                            |
|  | 24. Totals.....                        | 10,620,236                           | 11,194,424             | 10,583,042       | 10,634,614                 |
| Parent, Subsidiaries and Affiliates  | 25. Totals.....                        |                                      |                        |                  |                            |
|  | 26. <b>Total Bonds.....</b>            | 37,028,593                           | 37,752,038             | 37,179,840       | 36,032,259                 |
| <b>PREFERRED STOCKS</b><br>Public Utilities<br>(Unaffiliated)  | 27. United States.....                 |                                      |                        |                  |                            |
|  | 28. Canada.....                        |                                      |                        |                  |                            |
|  | 29. Other Countries.....               |                                      |                        |                  |                            |
|  | 30. Totals.....                        | 0                                    | 0                      | 0                |                            |
| Banks, Trust and Insurance Companies<br>(Unaffiliated)   | 31. United States.....                 |                                      |                        |                  |                            |
|  | 32. Canada.....                        |                                      |                        |                  |                            |
|  | 33. Other Countries.....               |                                      |                        |                  |                            |
|  | 34. Totals.....                        | 0                                    | 0                      | 0                |                            |
| Industrial and Miscellaneous<br>(Unaffiliated)   | 35. United States.....                 |                                      |                        |                  |                            |
|  | 36. Canada.....                        |                                      |                        |                  |                            |
|  | 37. Other Countries.....               |                                      |                        |                  |                            |
|  | 38. Totals.....                        | 0                                    | 0                      | 0                |                            |
| Parent, Subsidiaries and Affiliates  | 39. Totals.....                        |                                      |                        |                  |                            |
|  | 40. <b>Total Preferred Stocks.....</b> | 0                                    | 0                      | 0                |                            |
| <b>COMMON STOCKS</b><br>Public Utilities<br>(Unaffiliated)   | 41. United States.....                 |                                      |                        |                  |                            |
|  | 42. Canada.....                        |                                      |                        |                  |                            |
|  | 43. Other Countries.....               |                                      |                        |                  |                            |
|  | 44. Totals.....                        | 0                                    | 0                      | 0                |                            |
| Banks, Trust and Insurance Companies<br>(Unaffiliated)   | 45. United States.....                 |                                      |                        |                  |                            |
|  | 46. Canada.....                        |                                      |                        |                  |                            |
|  | 47. Other Countries.....               |                                      |                        |                  |                            |
|  | 48. Totals.....                        | 0                                    | 0                      | 0                |                            |
| Industrial and Miscellaneous<br>(Unaffiliated)   | 49. United States.....                 |                                      |                        |                  |                            |
|  | 50. Canada.....                        |                                      |                        |                  |                            |
|  | 51. Other Countries.....               |                                      |                        |                  |                            |
|  | 52. Totals.....                        | 0                                    | 0                      | 0                |                            |
| Parent, Subsidiaries and Affiliates  | 53. Totals.....                        |                                      |                        |                  |                            |
|  | 54. <b>Total Common Stocks.....</b>    | 0                                    | 0                      | 0                |                            |
|  | 55. <b>Total Stocks.....</b>           | 0                                    | 0                      | 0                |                            |
|  | 56. <b>Total Bonds and Stocks...</b>   | 37,028,593                           | 37,752,038             | 37,179,840       |                            |

(a) The aggregate value of bonds which are valued at other than actual fair value is \$.....28,221,498.

**SCHEDULE D - VERIFICATION BETWEEN YEARS**

|   |            |   |            |
|---|------------|---|------------|
| 1. Book/adjusted carrying value of bonds and stocks, prior year.....          | 28,150,503 | 6. Foreign exchange adjustment:                               |            |
| 2. Cost of bonds and stocks acquired, Column 6, Part 3.....                   | 15,842,597 | 6.1 Column 17, Part 1.....                                    |            |
| 3. Increase (decrease) by adjustment:   |            | 6.2 Column 13, Part 2, Section 1.....                         |            |
| 3.1 Column 16, Part 1.....  | (100,572)  | 6.3 Column 11, Part 2, Section 2.....                         |            |
| 3.2 Column 12, Part 2, Section 1.....   |            | 6.4 Column 11, Part 4.....                                    | 0          |
| 3.3 Column 10, Part 2, Section 2.....   |            | 7. Book/adjusted carrying value at end of current period..... | 37,028,594 |
| 3.4 Column 10, Part 4.....  | (280,251)  | 8. Total valuation allowance.....                             |            |
| 4. Total gain (loss), Column 14, Part 4.....                                  | (105,119)  | 9. Subtotal (Lines 7 plus 8).....                             | 37,028,594 |
| 5. Deduct consideration for bonds and stocks disposed of, Column 6, Part 4... | 6,478,564  | 10. Total nonadmitted amounts.....                            |            |
|   |            | 11. Statement value of bonds and stocks, current period.....  | 37,028,594 |

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

| State, Etc.                      | 1<br>Guaranty Fund<br>(Yes or No) | 2<br>Is Insurer<br>Licensed?<br>(Yes or No) | Direct Business Only |                              |                            |  |
|----------------------------------|-----------------------------------|---|----------------------|------------------------------|----------------------------|--|
|                                  |                                   |   | 3<br>Premiums        | 4<br>Medicare<br>Title XVIII | 5<br>Medicaid<br>Title XIX | 6<br>Federal Employees<br>Health<br>Benefits Program<br>Premiums |
| 1. Alabama.....AL                | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 2. Alaska.....AK                 | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 3. Arizona.....AZ                | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 4. Arkansas.....AR               | NO.....                           | YES.....                                    | 146,013,761          | 25,398                       |                            |  |
| 5. California.....CA             | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 6. Colorado.....CO               | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 7. Connecticut.....CT            | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 8. Delaware.....DE               | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 9. District of Columbia.....DC   | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 10. Florida.....FL               | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 11. Georgia.....GA               | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 12. Hawaii.....HI                | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 13. Idaho.....ID                 | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 14. Illinois.....IL              | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 15. Indiana.....IN               | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 16. Iowa.....IA                  | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 17. Kansas.....KS                | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 18. Kentucky.....KY              | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 19. Louisiana.....LA             | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 20. Maine.....ME                 | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 21. Maryland.....MD              | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 22. Massachusetts.....MA         | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 23. Michigan.....MI              | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 24. Minnesota.....MN             | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 25. Mississippi.....MS           | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 26. Missouri.....MO              | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 27. Montana.....MT               | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 28. Nebraska.....NE              | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 29. Nevada.....NV                | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 30. New Hampshire.....NH         | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 31. New Jersey.....NJ            | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 32. New Mexico.....NM            | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 33. New York.....NY              | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 34. North Carolina.....NC        | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 35. North Dakota.....ND          | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 36. Ohio.....OH                  | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 37. Oklahoma.....OK              | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 38. Oregon.....OR                | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 39. Pennsylvania.....PA          | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 40. Rhode Island.....RI          | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 41. South Carolina.....SC        | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 42. South Dakota.....SD          | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 43. Tennessee.....TN             | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 44. Texas.....TX                 | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 45. Utah.....UT                  | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 46. Vermont.....VT               | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 47. Virginia.....VA              | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 48. Washington.....WA            | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 49. West Virginia.....WV         | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 50. Wisconsin.....WI             | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 51. Wyoming.....WY               | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 52. American Samoa.....AS        | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 53. Guam.....GU                  | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 54. Puerto Rico.....PR           | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 55. U.S. Virgin Islands.....VI   | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 56. Canada.....CN                | NO.....                           | NO.....                                     |                      |                              |                            |  |
| 57. Aggregate Other alien.....OT | XXX.....                          | XXX.....                                    | 0                    | 0                            | 0                          | 0  |
| 58. Total (Direct Business)..... | XXX.....                          | (a).....1                                   | 146,013,761          | 25,398                       | 0                          | 0  |

| DETAILS OF WRITE-INS   |   |   |   |   |
|--|---|---|---|---|
| 5701. ....   |   |   |   |   |
| 5702. ....   |   |   |   |   |
| 5703. ....   |   |   |   |   |
| 5798. Summary of remaining write-ins for line 57 from overflow page..... | 0 | 0 | 0 | 0 |
| 5799. Total (Lines 5701 thru 5703 plus 5798) (Line 57 above).....        | 0 | 0 | 0 | 0 |

Explanation of basis of allocation by states, etc., of premiums and annuity considerations.

(a) Insert the number of yes responses except for Canada and Other Alien.

**SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP**  
PART 1 – ORGANIZATIONAL CHART

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